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EUROPE'S BUSINESS NEWSPAPER

El Salvador

No. 30,056

Monday October 13 1986

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World news

Business summary

Opec pact Fermenta likely to be over US extended unit sale

The Organisation of Petroleum Ex- MONTEDISON, Italian chem the end of the year.

Delegates at the Opec conference in Geneva expressed optimism about eventual agreement as the ministerial meeting entered its sec-

The deadlock over the demands from Kuwait and two other members for increased allocations, and P Arab producers' insistence on a long-term quota redistribution deal, amen to he broken. Page 2

iraq attacks refinery

Iraq said its warplanes attacked an oil refinery and chemical and weap-ons plants at the major Iranian cities of Shiraz and Isfahan following an Iranian assault on oil instal-lations in northern Iraq. Page 2

Sudan food airlift

Two aircraft chartered by Western countries and relief agencies left Khartoum, Sudan, with relief sup-plies for people in the south of the country. The Sudanese Govern-ment said it would use state-owned aircraft to fly food to the area.

Township deaths

Two men were burned to death in weekend political violence in the black townships of Kwazekele and Soweto, the South African Bureau for Information reported.

Protest ship seized

An Icelandic gunboat crew seized a Greenpeace protest ship as it tried to sail into Reykjavik harbour during the US-Soviet talks.

Eight Tamils killed Eight Tamil separatist guerrillas

and three security men were falled-when rebels, attacked a foot patrol in Sri Lanka's north western Man-Italy answers Libya The Italian Government com-

plained to Libya about the "absurd" verbal attack on Italy by Colonel Gadaffi in which he said that "every type of operation would be launched against the country if it was used by the US to stage an attack on Libya.

Space policy plea

West German Foreign Minister Mr Hans Dietrich Genscher made a powerful call for a more positive na-tional space policy, including parti-cipation by Bonn in the French project to build the Hermes space aircraft. Page 2

Dhaka bombing

At least two people were killed and 55 wounded in bumb attacks in Dhalca as political rivalries sharp-ened ahead of presidential elections to be held in Bangladesh on Wed-

Summit boycott

Portugal will boycott the EEC-Asean foreign ministers' summit in the Indonesian capital Jakarta because Portugal has had no diplomatte links with Indonesia since 1975. Page 5.

Philippine charter A special Philippine commission apoved a new constitution expected legitimise the government set up by President Corazon Aquino eight months ago. Page 5

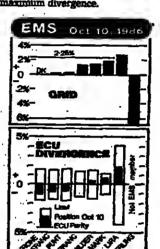
Barricades down

Syrian observers supervised removal of barricades at a refugee camp in south Lebanon under a plan agreed in Damascus to halt fighting between Palestinians and Shifte Moslem militiamen.

criticised

porting Countries' interim pact on group which has been trying for production sharing is likely to be several months to negotiate a take-extended, in a revised form, until over of Ferments, Swedish chemicals and biotechnology company, has protested against last week's sale of Fermenta's agrochemicals operations to Monsanto of the US. Page 17

EUROPEAN Monetary System: Attention focused on the performance of the US dollar last week, following repeated intervention by several European central banks. The sup-port given kept the US unit steady against the D-Mark, and effectively prevented a build-up of pressure on the weaker members of the system. The Danish krone remained the weakest member, but was trading comfortably at 52 per cent of its



The chart shows the two constraints on Buropeon Monetary System exchange rutes. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the tira) may mave more than 2% per cent. The lower chart gives each currency, divergence from its "central rate" against the Buropean Currency Unit (ECU), itself a basket of European currency unit (ECU).

MANUILLE, US fibre glass, forest, products and specially products group which has been operating unsince August 1982, has reached agreement with five more insur-ance groups for payments totalling more than \$45m. Page 19

IBM. largest US computer manufacturer, has increased the prices of its large mainstream computers on the UK market by up to 6 per cent. Continental customers have exploited the recent fall in sterling by buy-

ing in Britain. Page 10 MALAYAN BANKING, Malaysia's largest bank, has denied it had incurred heavy losses as a result of its international operation and report-ed that for the year ending in June, the group made a profit of ringgit 52m (\$20m). Page 19

MOODY'S, US credit rating agency, has lowered the debt and meterred stock ratings of Manufacturers: Hanover Corp, holding company for the fourth largest US banking

group. Page 16 SWEDEN'S economy will grow by

only 1.5 per cent next year, its na-tional institute of economic re-search forecast. Page 2 ADVANCED MICEO Devices, US: Silicon Valley chip maker, has made 500 workers redundant, end-ing its 10-year record of full employ-

ment. It was forced to take the action because of large losses. Page 19 PERSTORP, Swedish specialty, chemicals and plastics group, reported a 4.2 per cent increase in profits for the financial year ending on August 31 m line with the company of forecast. pany's forecast. Page 17

CANADA has begun issuing shortterms promissory notes in US dol-lars as an alternative to bank credit.

lines to support foreign exchange reserves. Page 19

SOVIET industrial output was up 5.6 per cent in September compared. with a year before with productivity improving by 5.3 per cent. CHINA announced new regulations aimed at attracting foreign investment and technology. Page 5

THE SUMMIT meeting in Reykja-vik yesterday turned into a major setback for East-West relations. Af-ter 11% hours of talks US President Ronald Reagan and the Soviet leader Mr Mikhail Gorbachev failed to reach any arms control agreement because of irreconcilable differ-

ences over the future of President Reagan's controversial Strategic Delence Initiative (SDI). The failure of the summit threatens to develop into a major political setback for the US President who had been warned by some of his closest advisers not to allow himself to be drawn into a summit at this stage. Much of course, will depend on whether he or Mr Gorbachev win the war of words that has al-

A grim-faced Mr George Shultz, the US Secretary of State, told a stunned White Bouse press corps shortly after the meeting between Mr Reagan and Mr. Gorbachev broke up that the two leaders had been on the brink of an historic breakthrough in arms control but that finally "we were smable to

He could not say whether the all nuclear weapons had come close British nor French nuclear arsenals srms talks would now resume in to success but had failed because of could be strengthened and modernesses. When asked about the president Reagan's insistence on nised if a deal was to be reached prospects for a full summit meeting the development and testing of the with the US.

BY STEWART FLEMING, AND PATRICK COCKBURN IN REYKJAVIK

Reagan, Gorbachev fail to agree over Star Wars

US-Soviet talks break down

not see any prospect of that."

He also claimed that the negotiators had made "a fremandous amount of headway" on issues of space defence involving the antiballistic missile treaty. He said that the meeting empty-handed, with it was because of Mr Reagan's SDI

ballistic-missile defence plan that progress had been possible.

But Mr Shultz went on to charge that the Soviet Union's objective (in the talks) was to kill SDF by proposing a revision of the 1972 ABM treaty which would have limited SDI research to the laboratory.

Mr Reagan left for Washington within two hours of the end of his fourth and final session with Mr Corbachev. He can be sure that his critics on both the right and the left will charge that he committed a major political blunder two weeks ago in accepting Mr Gorbachev's proposal that they should meet here on such chart settle. such short notice.

talks with the US on a reduction in

in Washington he conceded: "I do Star Wars strategic defence initia-

the meeting empty-handed, with mothballed proposals." He added: "We were very close to historic re-

Mr Gorbachev said he had proposed 50 per cent reductions in Soviet and US intercontinental ballistic missiles, missiles on board sub-marines and nuclear weapons carried by strategic hombers.
He said that the Soviet Union had

made a major concession by not counting forward-based nuclear systems - such as nuclear bombs carried by Fill fighter bombers -and medium-range missiles. He said that the Soviet Union had

siso decided "to set aside all ques-tions of British and French nuclear missiles." This meant that Moscow Mr Gorbachev said last night that had abandoned for the time being alks with the US on a reduction in its previous insistence that neither

On intermediate missiles Mr Gorbachev said that he had pro-posed that all American and Soviet missiles of this range be eliminated put the US had wanted to keep some missiles in Europe.

Mr Gorbachev, chopping the air with his hands to emphasise the size of the cuts he had proposed in nuclear arsenals, said that the Soviet Union had wanted careful verification that both sides would keep to any programme of reductions. He said that the strengthening of the anti-ballistic missile treaty of 1972 was also essential. Both sides would have to agree not to break

out of the treaty for 10 years. He said that this was in the interests of both sides. both sides.

Mr Gorbachev repeatedly simplasized that the Soviet Union would
only consider significant reductions
in its nuclear arsenals if it was given foolproof guarantees that the US
was not developing an anti-ballistic
missile system. This is where the
real fight began, he said.

The President had insisted on retaining the right to test the strategic defence initiative, Mr Gorba-chev said, and this was wholly un-

madman to accept that," he said. However, Mr Shultz stressed that the US for its part, would return to

the negotiating table in Geneva -but he was unable to say whether the Russians would be there. The breakdown came after a seekend during which it emerged

that the character of the meeting was rapidly changing from the low-key informal session aimed at preparing a Washington summit which both sides had suggested would take place. Instead, the talks took on the character of a full-blown summit when the two leaders agreed on Saturday night to set up two detailed working parties of senior officials - one on arms control

and one on topics such as human rights and regional tension.

It emerged yesterday morning that the two groups had worked from about 8pm on Saturday until dawn yesterday.

Last night Mr Shultz claimed that they had reached an extremely important "potential agreement" in

important "potential agreement" in-cluding "a reduction of strategic missiles by half and arrangements to deal effectively" with the problem of intermediate nuclear weap

Continued on Page 16 The Reykjavik meeting, Page 3

earthquake death foll may rise to over 2000 By Our Foreign Staff

EL SALVADOR'S death toll, as a result of Friday's earthquake yes-terday looked set to rise to more than 2,000 while relief workers dug frantically through the wreckage of several major buildings in Sen Salvador and aftershocks continued to rock the country's capital.

The International Red Cross yes

terday oficially confirmed 350 dead, 6,800 injured, and 200,000 made po-tentially nomeless but local relief workers were estimating the toll as much higher.

"There are six large buildings which collapsed and, counting on an average of 300 people in each of them, that makes 1,800 dead, not including casualties in other parts of the city," Dr. Mario Rodolfo Lopez, the leader of a Castlemales in the case. the leader of a Guatemalan team of rescue workers, told Reuters news-

President Jose Napoleon Duarte, whose conservative civilian Government has been fighting a protracted inent has over lighting a protraction civil war against left-wing guerrillas, said earlier that 300 people had died and 6,500 had been injured. But he said that the figure was likely to rise as many more victims were still buried under the wreck-

vastated capital of 1m people where four major hospitals and the US embassy were among the buildings damaged.

In the Icelandic capital of Reykjaemergency airlift of \$25,000 worth

ty (FDP), junior partner in the The swift US reaction underlined Bonn coalition with the Christian Washington's concern about the

0

Bonn braced for new campaign of terrorism

BY DAVID MARSH IN BONN

WEST GERMANY was grappling yesterday with the prospect of a grim new period of alarm and un-certainty over terrorism, which for the first time in more than a decade of violence has struck down a senior Bonn political figure.

The cold-blooded murder in a

Bonn suburb late on Friday of Mr Bonn suburb late on Friday of Mr
Gerold von Brammuchl, political
director in the Foreign Ministry,
robbed the Government of one of its
most accomplished foreign policy
practitioners. It has opened up gaping doubts over the state's ability to
defend itself from an apparently escalisting terrorist challenge.

As Mr Hebrurt Kohl, the Chancellor, and other political leaders expressed outrage over the assassinathon, security expects voiced con-

cern that the killers, from the long-

ehl was almost certainly the same 18 months has killed a US soldier Smith and Wesson revolver used to on service in Germany, and bombed kill Mr Hanns-Martin Schleyer, the US and German military installatormer employers association prestions.

thent, in 1977.

The attack, clearly meticulously planned, took place as Mr von soft target.

Hy striking at the Foreign Ministry, the BAF has hit a relatively soft target.

Mr Hans Dietrich Genscher, the enter his home after driving from the Foreign Ministry. His two masked assessins fled in a car less. enter his home after driving from the Foreign Minister, who had worked the Foreign Ministry. His two masked assassing field in a car, leaving behind a six-page typescript document bearing the now gruenant bearing the now gruenant backing for the DS Strategic somely familiar RAF symbol of machine grue and star. It said that their victim had been selected for climinary products possibly in microcardio and the complete comple

hunted revolutionary group, the grey world of officialdom. Previous said at the weekend strike again against politicians during the campaign leading to the general elections in January.

Underdining the chilling link with memann, chairman of the MTU though the control of the MTU the control of the West Germany's past series of ter-rorist nightmares in the 1870s, police investigators yesterday con- with the German military-industri- regist targets. chided that one of the murder weapal complex."

Additionally, the RAF in the past

decided to extend its threat to mod-erate politicians and men from the grey world of officialdom. Previous victims of the terrorists – Mr Karl many must not over react to the lat-tenz Beckerts, the Siemens re-est attack by introducing anaggerat-

Officials said security precau-tions had already been intensified to guard politicians and industrial leaders considered to be prime ter-Bonn calls for role in French

space project, Page 2

til after 1983 ;

Outside the UK and France, the strongest investment interest has come from Japan, where last week a Eurotunnel team, headed by Mr Michael Julien, deputy chief executive and former group finance director of Midland Bank, made a presentation in more than 80 Japaneses

entation to more than 60 Japane

ing consortium which last month

e institutions if we wanted

Greens win voice in Bavarian parliament age of several major buildings. Relief supplies continued to pour from all over the world into this de-

BY OUR BONN CORRESPONDENT

WEST GERMANY'S anti-nuclear Green ecology party last night won a place in the right wing dominated fortress of the Bavarian state (Land) parliament in an election reulting in losses for the main opposition Social Democratic party

of Bavaria - West Germany's largest Land - was widely seen as setting the tone for the general elections in January, Mr Franz Josef Strauss's conser-

vative Christian Socialist Party (CSU) also showed losses but, as ex-pected, kept its absolute majority in the Munich parliament.

The Bayaban election classistic nation because of his "key role."

According to some reports in main public prosecutor, who recent has been heavily dominated by continued in the imperialistic system."

According to some reports in main public prosecutor, who recent towards over the planned macker reprocessing plant at Wackendoor by warried that the RAF could take to recent supply deminated by continue to the last state election in 1982 and the bottom end in the Strauss's pre-election target.

The Bavairan election chargeign by 56 per cent of the vote, down from 58.5 per cent at the last state election in 1982 and the bottom end in Mr Strauss's pre-election target.

the food point of generally in-creased Genuan opposition to mu-clear power in the wake of the Chernobyl reactor accident in the Soviet Union in April. In spite of signs that the anti-nu-clear movement was failing to make as much impact as hoped on

split the opposition by taking votes above all away from the SPD. Mr Strauss, comfortably returned for his third spell as Bavarian vik, White House spokesman Mr Prime Minister, may see his chances enhanced of a stronger influence over the Bonn coalition for his meeting with Soviet leader Government after the January electrons. The liberal Free Democratic par- of aid.

Bonn coalition with the Christian Democrats (CDU) and the allied CSU, suffered a major setback by again not gathering sufficient votes for a place in the Munich assembly. The earthquake has come as a devastating blow to a country alway; the West German television networks last night gave the CSU near-to-make a set of the water drawn.

of Mr Siranss's pra-election target.

The SPD, which had hoped for at least 35 per cent of the vote, recorded 27.4 per cent, according to the computer estimates, down from 31.9 per cent four years ago. Mr Karl Heinz Hiersemann, the SPD's main candidate in the Bavarian elections, said the result was "disappointing."

The Greens, passing comfortably the control of the capital were parts of the capital were

appointing."
The Greens, passing comfortably shove the 5 per cent level needed to beginning a slow return to normali-

traditionally conservative voters in Germany's "Deep South", the Greens appeared to have won con-Continued on Page 16 ty siderable support. But they also Open 24 hours

Australia and New Zealand Banking Group Limited. Head Office:- 55 Collins Street, Melbourne Victoria 3000. Tel: (03) 658 2955 Telex: AA 39920. London: Minerva House, Montague Close, London SE1 9DH. Tel: 01-378 2121. Telex: 8812741-4 ANZBKA G

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The new force in International Banking

Eurotunnel on course to raise £200m through share placings

BY ANDREW TAYLOR IN LONDON

from institutional investors in a worldwide share placing to be concluded on October 24.

It is planned that Britain and France will each raise £70m. The remaining £80m will be split, in roughly three equal tranches, between Japan, the US and the rest of the world.

The observations following speciments.

The consortium, following suc-cessful presentations in New York, other East Coast US cities, and Tokyo, is now confident of achieving its sales targets in those two coun-

France, there has been a steady stream of investor interest, mostly from other European countries but also, notably, from Canada and the Middle East, say Europeane's British brokers, Scrimgeour Vickers

In the tightly-knit financial community of France, where Banque al meetings with a further 15 instisigned agreements committing the
Indosess, Credit Lyonnais and tutions in addition to the 30 already banks in principle to providing En-

EUROTUNNEL, the Anglo-French Channel tunnel consortium, appears to be well on the way to raising the £200m (\$225m) it is seeking from institutional investors in a worldwide share placing to be concluded on October 24.

It is planned that Britain and Frence will each raise £70m. The remaining £50m will be split, in roughly three equal tranches, between Japan, the US and the rest of the ward! ish institutions which previously had agreed in principle to invest in the project. The support of the insti-tutions was a key factor in the consortium winning, in January, the mandate to build the tunnel from

the British and French govern-Mr Redmayne said: "Of the institotions which said they were prepared to support the scheme only one of those seen so far has cause circumstances affecting the

investment institutions. The feeling was that we could achieve our sales target of around £20m to £25m several times over to to, Mr Rednayne said.
Japanese banks are also heavily involved in the international bank-

ged its mind - and that is bemanagement of the fund have changed."

Eurotainel is arranging individu-

Banque Nationale de Paris are identified as potential investors, rotumel with up to £5bn in loans handling the issue, the placing has Separate presentations to about 50 and standby credits.

Editorial comment: no way to open mar-

Weltzman, the US. advocate of profit-

China: UK Queen's visit puts her com-Management: Mannesmann poised for technological leap 7

France: steel industry struggle to hold US: the tough teams behind corporate

Survey:

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MONDAY

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INTERVIEW Michael Prowse talks with Martin Lex: cracks in Opec's ceiling; City of

sharing, Page 6 Management consultancy . . Section III

EEC chiefs set to discuss money markets

BY QUENTIN PEEL IN BRUSSELS

since the informal gathering at Gleneagles, Scotland, which resulted in agreement to co-ordinate intervention to stabilise the exchange rates in the

ing to get some agreement among the Twelve on a single European candidate to succeed Mr Jacques de Larosiere as director-general of the International Monetary Fund.

France, on the other hand, has been campaigning vigorously for Mr Camdessus, who has an impressive track record as the former director of the French Treasury and leading light in the Paris Club of Supernment leaders to the

FINANCE MINISTERS of the EEC have an opportunity today to review the upheaval in the international currency markets caused by the weakness of both the dollar and sterling.

Their first council meeting since the informal gathering at Gleneagles. Scotland, which ing to get some agreement in the EMS although it is now reached, even among the lead-reached, even among the lead-outside the exchange rate mechanism of defending sterling. As for sterling, Brussels officially unanimous mechanism of the EMS, there apparently falled to find its own are growing French concerns about the stability of the system in tife light of the Deutsche Mark's strength against the golden opportunity for the currency to become a full participant in the EMS at an attractional currency markets that it is rather Mrs Margaret and might be exchange rate mechanism of defending sterling.

As for sterling, Brussels officially are growing French concerns about the stability of the system in tife light of the Deutsche Mark before next problems of defending sterling.

As for sterling, Brussels officially are growing French concerns about the stability of the system in tife light of the Deutsche Mark's strength against the golden opportunity for the currency of the currency and the EMS at an attraction of the EMS, there are growing French concerns about the stability of the system in tife light of the Deutsche Mark's strength against fine defending sterling.

The Chancellor will be seek.

Both at Gleneagles and at tive price for UK exports to the rest of the Community.

They see two continuing problems, however. The first is

pant in the EMS at an attrac-They see two continuing pro-blems, however. The first is

ise the exchange rates in the European Monetary System, is likely to be dominated by issues outside the formal agenda, although including wide-ranging although including wide-ranging. Mr Nigel Lawson, the British Chancellor of the Exchequer Chancellor of the Exchequer Chancellor of the Exchequer Well face renewed pressure to bring sterling within the Chancellor of the Exchequer Sterling Sterling within the Chancellor of the Exchequer Sterling Sterling



Opec likely to extend interim pact on output

AN EXTENSION of the on the flow of Iraqi crude Organisation of Petroleum Extension Saudi Arabia's transporting Countries' interim pact

porting Countries' interim pact on production sharing in a revised form until the end of the year seemed last night to be the likely outcome of its conference in Geneva.

Delegates expressed optimism at the weekend about eventual agreement as the ministerial meeting entered its second week at a loisurely pace. The deadlock remained.

The deadlock arises from the deadlock kind required to assure the informed its customers that the oil volume passing through the Petroline facility will be cut demand of Kuwait and two minor members, Ecuador and Gabon, for increased allocations after the expiry of the present

demand of Kuwait and two minor members, Ecuador and Gabon, for increased allocations after the expiry of the present accord at the end of this month and also the continued insistence of the Arab producers of the Gulf on a long-term deal in Geneva on redistribution of quotas even if it is not implemented until next year.

Shelkh Ali Khalifa al Sabah, the Kwaiti oll Minister, has let it be known that the conference will have to continue until agreement is reached.

Members are under no illusions, however that demand for Opec crudo will be much higher in November and December than the current agreed ceiling of 16.8m barrels a day, which was collectively respected in September despite quota breaches, most notably by the United Arab Emirates.

At the same time, no country will assent to a lower proportional share under any revised pact. Moreover most delegations believe an agreement on long-term distribution of quotas is impossible this month. There has been talk of the need for officials to meet throughout november to lay a basis for consensus in December.

Kuwait's evident assumption is that it and Ecuador and Gabon can be accommodated by an increase in the celling. But it the basis for this thinking apparently is that higher market chares for them should be made possible by a continued shortfall in Iran's exports as a result of intense Iraqi military pressure on its terminal, at Kharg Zeland and restrictions

Terminations 18 Kirkuik.

No one in Geneva sees how their Kuwait could back down from its public negotiating stanca mittement and sales last month of 132,000 b/d over in 950,000 b/d over in 950,000 b/d over a month in addition to its worth have the current agreed ceiling of 16.8m barrels from inventories, the appropriate of 200,000 b/d over a month in addition to its worth have the continued and produced on the "parameter of the experiment of 200,000 b/d over a month in addition to its worth have the continued and produced on the "parameter of the experiment of 200,000 b/d over a month in addition to its wor

Iran attacks oil terminal as Gulf War intensifies

ACTIVITY in the Gulf War intensified over the weekend with strikes and counter-strikes against important oil installations amid indications that Iran is increasing pressure on Iraq indicated heavy casualties on Iraq advance of a possible new

Iraq announced yesterday it had attacked an oil refinery and chemical and weapons plants in the large Iranian cities of Shiraz and Isfahan, leaving the

targets ablaze. targets ablane.

Earlier, Iraq deuled Iran's claim that it had destroyed smuch of the Kirkuk refinery, a vital link for Iraqi oil exports through the Turkish pipeline.

Mr Latiff Nassif al Jassen, Iraq's Information Minister, said, "Our oil installations in Kirkuk are intact and surrounded by men whose eyes never sleep while watching and bitterly opposed to an increase in the Iraqi quota because of the likely effect on an already weak market.

If Iran has inflicted serious damage on the Kirkuk refinery, which accounts for some 300,000 barrels a day of refined present and surrounded by men whose eyes never sleep while watching and interly opposed to an increase in the Iraqi quota because of the likely effect on an already weak market.

If Iran has inflicted serious barrels a day of refined present a day of refined pro-duct, making it one of Iraq's major oil installations, it would be a serious set ack for the Iraqis.

offensive.

Iran claimed on Saturday it had destroyed much of the main Iraqi morthern oll terminal at Kirkuk in a daring commando raid in which Iranian revolutionary guards linked up with local Kurdish rebels.

Iraq announced yesterday it

Iraq is seeking an increase in its Opec quota to match that of Iran which stands at 2.3m barrels a day. Teberan is bitterly opposed to an increase in the Iraqi quota because of the likely effect on an already

Swedish economy 'will expand only 1.5% in 1987°

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

settlement which includes such a guarantee, but the institute's that costs must be brought forecasts for 1988 show that down to international levels wage increases, most crucially including wage drift, are investment is needed if Sweden is not to fail into deficit on the those nominally agreed in the current account again.

THE SWEDISH economy will grow by only L5 per cent next year, according to the National Institute of Economic Research. With wage costs rising faster than in important competing countries, Swedish companies are expected to lose market share both at home and abroad.

The institute, one of the most important economic forecasting institutions in Sweden, has assumed that wage costs will rise by about 5.5 per cent on average next year after a jump of 8 per cent in 1986.

In forecasts come during one of the most serious industrial conflicts in the public sector, in which civil servants and focal authority workers are involved in an overtime ban.

The institute says production and the rest involved in an overtime ban.

The institute says production increases will rise by whost single exports will rise by bless than 5 per cent in volume, while exports will rise by shout 5.5 per cent balance of payments is expected to remain positive with a surplus of SKr 5.1 bn but smaller than this year's expected surplus of SKr 10.4 bn.

The institute says production and the rest involved in an overtime ban.

The current account of the balance of payments is expected surplus of SKr 5.1 bn but smaller than this year's expected surplus of SKr 10.4 bn.

The institute says the fall in countries.

The Government has stub-bornly resisted making any oil prices has given the settlement which discludes such economy a reprieve but warns

Turkey orders price rises

BY DAVID BARCHARD IN ANKARA

THE TURKISH Government has ordered price increases of has ordered price increases of between 30 per cent and 50 per cent on state monopoly products and increased surcharges on imports of "luxury" goods, including consumer electronics products, in an attempt to cool

The increase in surcharges appears to be a signal that the Government is worried about the trade deficit, which has been widening steadily this year. The surcharges have been criticised by the EEC and tha IMF. The Government argued that they were only temporary.

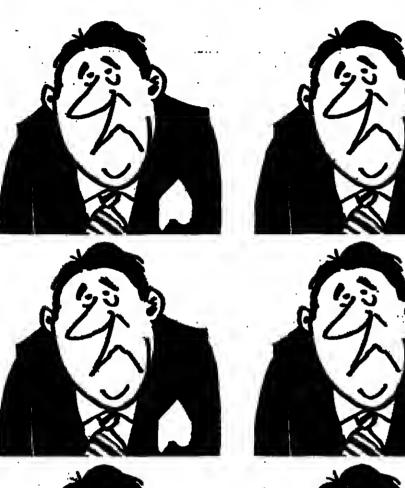
Genscher calls for Bonn role in French Hermes space project BY DAVID MARSH IN BONN A POWERFUL call for a stronger West German space transpolicy, including participation by Bonn in the much-discussed French project to build the Hermes space acroplane, was made yesterday by Mr Hans District Genscher, the West German Foreign Minister,

Mr Genscher's plea for a strenge of space of space policy including participation by Bonn in the much-discussed by Mr Hans District Genscher, the West German was next fortnight.

Mr Genscher's plea for a satellite communications and space transpolic functional forms of the superposes, but also to explore new government in the past two posts, but also to explore new government in the past two posts, but also to explore new government in the past two posts, is intended as a shot across the bows of Mr Genscher's vision of the future in space, set out yesterday by Mr Hans District Genscher, the West German was in the superposes, but also to explore new government in the past two powers is timed to infinence a shot across the bows of Mr Genscher's vision of the future in space, set out yesterday by Mr Hans District Genscher, the West German was been the policy, including participation by Bonn in the much-discussed for the future in space, set out yesterday by Mr Hans District Genscher, the West German was to infinence a shot across the bows of Mr Genscher's vision of the future in space, set out yesterday by Mr Hans District Genscher, the West German was to infinence a shot across the bows of Mr Genscher's vision of the future in space, set out yesterday by Mr Hans Bonn coalition, has favour. "It is time that Kohl Genscher's vision of the future in space, set out yesterday by in the Bonn coalition, has favour." It is time that Kohl Genscher's vision of the future in space, set out yesterday by in the Bonn coalition.

Mr Stoltenberg's policies of budgetary rigour have been the main tinguence holding up a pounded to win a higher probability in the polis.

Officials close to Mr Genscher's who claim that Mr Stoltenberg's budgetary conservation under the casting of the cast













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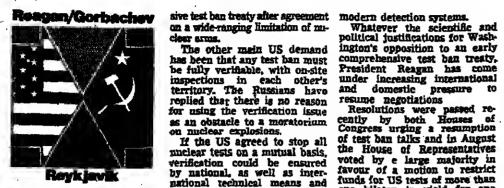
Ictober 13 1988

itiative that remains the keystone of the Reagan Administration's defence policy The SDI programme, known more often as "Star Wars," is bitterly opposed by the Russians who sought during the summit to per-suade the United States to agree to a change in the 1972 Anti-Ballistic Missile Treaty which would have confined all research development and testing of anti-missile weapons to the laboratory. The attempt failed and left Mr Georgi Arbatov, e senior Kremlin official that the continued insistence on Star Wars had parents in the second of the s driven the arms control process to a "dead end."

The Soviet Union insists that the space-based defence system will in-evitably lead to the development of n new generation of nuclear weap-ons whatever the non-nuclear claims made for it by the US. American officials countered during the talks and in briefings afterwards that the SDI programme was

THE SUMMIT foundered on one

key issue: the Strategic Defence In-



gramme and could not be halted. In the end this issue dominated all others, but not before there had been some hours of talks on hu rights and on Soviet demands for a total ban on nuclear testing. For Moscow such e ban is very closely linked to the fear of SDI, but the US has argued that as long as nuclear weapons exist they must be tested and that Washington would only be prepared to consider a comprehen-

Robert Mauthner looks at the background theme to the talks

Key issue that led to dead end

be fully verifiable, with on-site inspections in each other's territory. The Russians have replied that there is no reason for using the verification issue as an obstacle to a moratorium on nuclear explosions.

If the US agreed to stop all nuclear tests on a mutual basis, verification could be ensured by national, as well as international technical means and procedures, including on-site inspections, the Russians say. A small start towards a verification system was medo with the agreement in May this year between the Soviet Academy of

Sciences and a US private scientific group, the Natural Resources Defence Council. The two organisations agreed to install highly sensitive seismic detectors near US and Soviet nuclear test sites to demonstrate the viability of

resume negotiations Resolutions were passed re-cently by both Houses of Congress urging a resumption

of test ban talks and in August the House of Representatives voted by e large majority in favour of a motion to restrict funds for US tests of more than funds for US tests of more than one kiloton in yield for one year from January I 1987, provided the Soviet Union did not resume its testing programme. It was mainly in response to the need to reach an accommodetion with Congress that President Reagan told Mr Gorbachev that if the Soviet Union agreed to "essential verification procedures," he would ask the Senate to ratify the 1974 Threshold Test Ban Treaty and the Peaceful Nuclear Explosions Treety.



News blackout puts Raisa in limelight

WHITE HOUSE officials have been quietly grawing on their fingernalis in frustration as they have watched Soviet leader Mikhail Gorbachev's elegent wife Raise help to ensure that a Soviet media bilit has swimped the news blackout both sides had supposedly agreed would prevail during the sammir meeting.

Raisa's presence here caught the White House on caught the white House on the hop. It was not the sort of trick Mr Bob Regan, tho president's Chief of Staff. was prepared for. "This was never the idea," said one official plaintively.

ameial plaintively.

Swinging around Reykjavík in e ginat ZIL limousine the charismatic Mrs Gorbachev is e living symbol of the "new" Russle which Soviet spokesmen here are saying is emerging as e result of the economic social and political reform now being undertaken.

She is not slow either to seize the opportunity to drive home to the ettendant medie the Soviet propaganda mes-

"I believe that these discus "I believe that these discus-sions between the two will make the world safer for the youth." she told students at a teachers' training school who asked about the summit meeting between President Reagan and her husband.

His role here appears to be that of poscher turned game-keeper. His expertise and scepticism on arms control issues make him an invaluable asset when it comes to onsuring that Moscow does not win any tricks et the negotiating table by default. "People all over the world of the meeting. They must come np with peace," she added in an apparently off-the-cuff remark which fitted neetly into the strategy of Soviet officials, who had been driving up expectations.

Half way through the graelling schedule and public greating schedule and plinic appearances which took up virtually the whole of her first full day in Reysjávík, che stopped on the steps of the Iceland Parliament build-ing to reply to questions in



American reporter.

Had her life changed much eines her husband became secretary general? "I have stopped teaching but I do not

forget my scientific interests," she said.
Did Mrs Gorbachev mind being lodged on the Russian eruise ship in Reykjavik harbour which is the general secretary's headquarters? "No, it'e romantic," she quickly retorted

Even the security eround her lacks the heavy handed-ness which one might expect. Indulgent guards allowed reporters to within e few feet to ask questions and take

feet to ask questions and take photographs,
Not that Mrs Gorbschev was all sweetness and light.
Asked why she thought Mrs Reagan was not in Iceland she replied: "Perhaps sho has something else to domaybe sho inn't well." If the Washington summit

comes off Mrs Rengan will have to be on top form. Stewart Fleming

Make-up of US negotiating team gives little hint of policy direction

WHEN White House spokesman Mr Larry Speakes announced on Saturday that American side by Mr Paul two working groups had been Nitze, he said, adding that Mrs I set up by President Reagan and Mr Mikhail Gorbachev, the Soviet leader, to negotiate the American group dealing with human rights, bilateral details in key areas, reporters and regional issues. No other immediately began to press him for the names of the officials who would be in each group.

Knowing who among the small number of top officials asswered.

officials who would be in each group.

Knowing who among the small number of top officials travelling with the greadent was in each working party was simportant information—the Eresident himself. Mr Don White House equivalent of Regan, the White House Chief Kremlinology—for it could give a blint of the direction in which Washington was moving.

Mr Speakes, however, was Security Adviser, whose repunct too forthcoming. The

The veteran arms control expert, Mr Nitze, the 79-year-old who was a leading opponent in the late 70s of the ultimately unratified Strategic Arms Limitation Treaty (SALT II) arms agreement, is now seen as belonging to the group in the White House who want to strike an arms control agreement with Moscow provided the terms are Moscow provided the terms are tough enough.

He also has expertise which has been invaluable in helping Mr Shultz get the npper hand (at least for the moment) over Pentagon opponents of arms

the allegations that he was responsible for the alleged Assistant Secretary of State for supposed to be in force, Mrs penetrating eyes and an instruction campaign campaign and Canadian Affeirs Ridgway bolbed and weeved table demeanour. He has been summer.

Mrs Ridgway took over as begun and a news blackout was man of deep intelligence with supposed to be in force, Mrs penetrating eyes and an instruction. He has been with aplomb. Sho made sure the most effective opponent of that America's stated positions arms control deels. that America's stated positions were put across.

Some European diplomats in were put across.

Weshington are critical of the time she is spending on the single issue of arms control. There can be no question, howover, that the qoick-witted and dignified Mrs Ridgway has been e considerable asset to Mr briefing room — "Richard Perie."

There is no story" Mr.

Shaltz or of the confidence he has in her abilities.

It was Mrs Ridgway who was called upon on Friday to handlo the first full-scale US press conference for the several hundred journalists assembled here from around the world.

With nothing much new to say since the talks had not even

Perie."

There is no story." Mr Speakes said delphically. That could only mean thet Perle, known to all who follow arms control issues as "the Prince of Darkness" would be in the main group under Mr Nitze.

Mr Perle, Assistant Secretary of State et the Pentagon, is a

His presence could turn out to be something of a double-edged sword however. He will know exactly where the bodies are buried and where the weak points in any agreement are Stewart Fleming

Moscow's delegation chosen from Gorbachev's best men

IN THE 18 months since Mr Mikhail Gorbachev, the Soviet leader, came to power, a dozen or more men have become known as the creators, executors, and spokesmen of a more energetic Soviet foreign poticy. Throughout the early hours of yesterday morning most of these men were locked in discussions with their US counterparts as members of two work-

parts as members of two work-ing groups; one on disammement and the other on human rights, regional conflict and hilateral

relations, Mr Gorbachov has been more successful in bringing together highly competent men to conduct foreign policy than he has been in changing the Soviet occoomic and administrative leadership. This is explained by the legacy of President Andrei Gromyko, Foreign Minister for 28 years, and the small size and traditional prestige of the Soviet foreign service. Not that all the men around Mr Gorbachev in Reykjavik are career displomats. Mr Eduard Shevardnadze, the surprise successor to Mr Gromyko last year. cessor to Mr Gromyko last year,
was leader of the southern
Soviet Republic of Georgia
from the early 1970s but demonstrated his capacity to learn
fast by successfully conducting
25 hours of negotiations in New York in September with Mr tions with the US is the George Shultz, the US Secretary of State to defuse the Daniloff Soviet point of view in front affair and set up the present of the television ameras and the present that the use is the complex of the television ameras and the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the complex of the present that the use is the use of the present that the use is the use of the present that the use is the use of the present that the use of the use



Anatoly Dobrynin: Kremlin's leading expert on the US

Mr Antoly Dobrynin, brought back from Washington where he had been ambassador since before the Cuban missile crisis, is now Communist Party cen is now Communist Farty cen-tral committee secretary in charge of international rela-tions and therefore second only to Mr Gorbachev and Mr Shevardnadze in formulating

The most noticable change, since the 1970s in the way the Soviet Union is attempting to stabilise and improve its relationarith. to the press. From Wednesday

last week in Reykjavik there were teams of Soviet experts giving press conferences and briefing in the Saga Hotel, headquarters for Soviet public relations during the summit.

A principle figure behind this change is Mr Alexander Iakovley, the Communist Party secretary for propaganda appointed last year and apparently the architect of much of the recent liberalisation of Soviet media and literature.

At a slightly more junior At a slightly more junior in the Soviet hierarchy are the men who were members of last night's working group. The group on disarmament was headed on the Soviot side hy

Mr Victor Karpov, e senior diplomat who has spent much of the 1980s negotiating fruit-lessly with the US on arms Mr Karpov's presen Mr Karpov's presence was expected. A greater surprise was the membership of Marshal Sergel Akhromeyev, the Soviot Chief of Staff appointed in 1984 after the sudden dismissal of his predecessor, Marshal Nikolai Ogarkov. Over the past 18 menths he has constantly appeared at Press conferences in Moscow, affirming the support of the Soviet military for policies such as the moratorium

policies such as the moratorium on nuclear tests A purpose of his high public profile is spparently to reassure Soviets, particularly in the military establishments who fear that Mr Gorbachev might compromise Soviet military

security in negotiations.

Another slightly surprising member of the disarmament group is Dr Yevgeny Velikhov, vice president of the Soviet Academy of Sciences and Mr Gorbachev's favourite scientist. An expert on Star Wars, he has played an increasingly execu-tive role recently, and was pro-minent in the aftermath of the Chernobyl disaster.

The second working group in Reykjavik, on regional conflict, human rights and bi-lateral relations, contains many names relations, contains many names which have become prominent over the last year. Headed by Mr Alexander Besmyrtnych, a deputy Foreign Minister, its membership also includes Dr Georgi Arbatov, head of the US Institute in Moscow, Mr Yevgeny Primiakov, head of the World Economy Institute, and Mr Valentin Fallin, head of the news approx Novasti. of the news agency Novosti.

Patrick Cockburn

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An accident that was waiting to happen

SEVEN DAYS after a C-123 cargo plane and its mainly American crew was shot down in the sweltering jungle of southern Nicaragua, the full story of the bungled mission and the men behind it has yet

The Reagan Administration, which has encouraged private US citizens to support the guerrilla war against the leftist Sandanista Government in Nicaragua, denies any official

The incident has highlighted the fine line between "official" CIA-sponsored missions to help the Contra rehels—which are banned by US law—and those which rank as "freelance" operations. For all the welter of circumstantial evidence in the US press, a direct link between the two has yet to be

But that does not lessen the controversy surrounding the ill-fated flight and its lone survivor, the broad-shouldered ruddy-faced former marine from Wisconsin, 35-year-old Mr Eugene Hasenfus. Mr Hasenfus, who was captured by Nicaraguan army

officers last Monday, has named two alleged CIA employees who he said ran a rebel resupply network based in El Salvador. Experienced commentators say that the network resembles the CIA-financed cargo drops by Air America in south-east Asia in the late 1960s.

Hasenfus's testimony before the press in Managua was almost certainly made under

The key man named is Mr and others in the White House know a great deal more about the "freelance" operations in association with the CIA. He has been reported by several US newspapers as being linked to Mr George Bush, the US Vice President.

Mr Bush denied this weekend that he was directing or coordinating any covert operations in Central America. But he admitted meeting Gomez on several occasions and described his role as "to help tha Government of El Salvador put down a Marxist-led revolution." He also added, tantalisingly, that

proven, and unless it is, the political fall-out for the Administration is likely to be limited.

But that does not lessen the controversy surrounding the ill-controversy surrounding the ill

ment of El Salvador put down a Marxist-led revolution." He occurred just days before the also added, tantalisingly, that Gomez was a "patriot." in Central America with £100m in new funding, expected to be swiftly with his captors, appeared less as a professional undercover operator than a befuddled anti-hero.

In the light of the administration's support for such



to the press Contras—before the organised aid comes through from Congress — the Hasenfus debacle was an accident wait-ing to happen. SHIPPING REPORT

Tanker market shows dismal rates amid high stock positions

DISMAL rates continued in the tanker market last week, with hopes fading that increased activity before the onset of winter would more active from Indonesia, and

Brokers said any increases in rates would probably be a slow process in view of the present high stock position and the build up of tonnage in all loading areas.

E. A. Gibson, the London shipbro-

kers, said around a dozen very large crude carriers (VLCCs) and ultra large crude carriers (ULCCs) were believed to be in a position to load spot cargoes, with the prospect of up to 30 being available by the

Trading was said to be very slow for these larger vessels, and few de-tails of fixtures were available, although an American major was re-ported to have fixed a 320,000 tonner for a short voyage from the Middle East Gulf to the Red Sea at Worldscale 28.

Brokers said charterers with large cargoes should have little difficulty in repeating fixtures at around this level.

the number of large vessels seeking employment prevented any firming of rates, which fell to Worldscale 27.5 for 103,000 tons to Italy and Worldscale 20.5 for 200,000 ton part cargo to Taiwan.

quite brisk from West Africa, but

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The Mediterranean market fared no better than other loading areas. and rates continued to plummet. Worldscale 115 was paid for a cross-Mediterranean voyage for a 50,000

The Caribbean market was said to have come virtually to a standstill, with only a few vessels seeking employment. The rate for ves-sels of 70,000 tons for normal coa-stwise trading was in the low Worldscale 50s.

Demand also declined on the North Sea, although Italian charter-ers fixed two vessels, each of 135,000 tons, at Worldscale 27.5, while the rate for the normal 80,000 In the medium sizes, a 130,600 ton tons size for the UK-Continent trip cargo to the US Gulf was fixed at was hovering around the Worldworldscale 32.5, and a 100,000 ton scale 60 level. tons size for the UK-Continent trip

Buenos Aires meetings point to better relations with Britain

HIGH LEVEL contacts made in Buenos Aires between the British Labour Party and the Argentinian Government during the past week have pre-pared the ground for a rapid improvement of relations between Britain and Argentina' in the event of a Labour victory at the next general elec-

Mr George Foulkes MP and Mr Donald Anderson MP, met with Mr Jorge Sabato, the Argentine Foreign Minister, for three hours last Thursday evening in what Mr Foulkes described as a "remarkable informal found which would be accept—

that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some mentary delegation from the Conservative and Labour Party policy on the future of arrangement in which that a solution can be remarkable informal more confidence. The confidence building measures might include some form of arrangement in which that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some form of arrangement in which that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some form of arrangement in which that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some form of arrangement in which that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some form of arrangement in which that could lead quickly to a normalisation of relations and of a nine-man British Parliamessures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the confidence building measures might include some form of arrangement in which the

in what Mr Foulkes described as a "remarkable informal meeting."

"Ways were explored as to how, in the event of a Labour government coming to power, confidence-building measures could be rapidly implemented "I am more confident than parties.

"I am more confident than parties.

Labour Date Falklands is to discuss the sale to Britain and Argentina Government "without providence building measures could be rapidly implemented". The two Labour MPs "ad out preconditions but also withbout parliamentary Union Confermance.

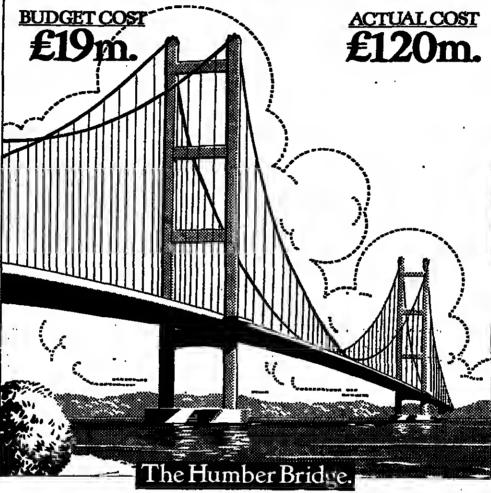
to cease hostilities and Britain would agree to discuss sovereignty and lift the 150-mile protection zone around the islands.

delegation also commented favourably on their contacts Argentine President Raul

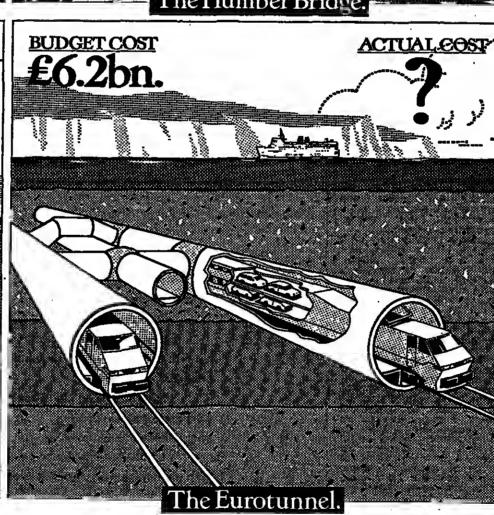
building Alfonsin told reporters yester-de some day he detected flexibility on in which the part of Britain in the dispute over the Falkland Islands, Reuter writes from Madrid. "The basic issue is that we

have been unable to get Britain to the bargaining table," he told a news conference in Madrid. "They now seem to be opening up to the idea of a dialogue on this problem."

BUDGET COST ACTUAL COST £15m. £115m.







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How can their £6.2 bn budget be taken seriously when it doesn't even include a budget for the safety measures they've failed to tell the public about, because those measures don't yet exist.

Something else that contributes to runaway costs, is lax control of timing. Here civil engineering has at least as bad a record as on costs.

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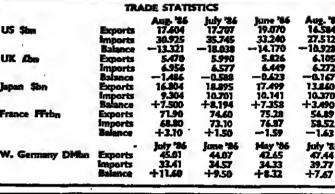
Their best possible scenario is currently 7 years, but who really knows? The construction companies?

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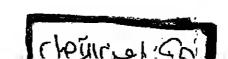
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Japan

railway

upbeaval last week in opan's higgest rail trade union, Kokuro, may lead to disruption of the privatisation schedule for Jopan National Railways.

The Government aims to private JNR, which had a record loss of Y1,848bn (£8.4bn) in the year to March 31 1986, and split it into eight companies by the end of next April. Debate on the enabling legislotion began in the Diet (parliament) last week.

The privatisation has been of considerable interest to its contraction in the privatisation has been of the first communist country is gripped by "Royal fever" would be an interest to its remaining a slight temperature. That the two best selling office deak. In fact, the racier youth magazines have portrayed her as something of a role masscie-builders respectively is the most encouraging sign of street-level excitement.

Yugoslavia saide, China will be the first communist country to host the Queen, and the instead of the model.

Hu Yaobang, the Communistic of the model of the first communist country to host the Queen, and the instead of the instance.

April Debate on the enabling legislotion began in the Diet (parliament) last week.

The privatisation has been of considerable interest to incommunistic country to host the Queen, and the instance of the private of Princes Diana, and it is not unusual to see clippings of her under the glass top of n Peking office deak. In fact, the racier youth magazines have portrayed her as something of a role masscie-builders respectively is the most encouraging sign of the most encouraging sign of the private private of the private of Princes Diana, and it is not unusual to see clippings of her under the glass top of n Peking office deak. In fact, the racier would be an intended to the racier would be an engage feature of the private private pr

Rokuro's 24-member executivo resigned on Friday after its call for co-operation with JNR was rejocted.

JNR was rejocted.

Then, when the radical executive was elected, some 13 dissenting local branches set up their own faction, although they stopped short of defecting.

Kokuro's old executive bad decided to co-operate with JNR only at the last minute and only under extreme grassroots presure. The other rall unions had already agreed to co-operate in return for employment guarantees or generous redundancy terms.

The Government has occepted

The Government has occepted that JNR manpower, which stood at 310,000 last year, must

Kokuro's members had been defecting at the rate of 10,000 a month since April out of dissatisfaction with their union's non-co-operation policy and a desire to take advantage of the Government's offers.

As a result of the defections, Kokuro now represents less than half JNR workers for the first time since its founding in 1947.

of their cutput.

Infrastructure development for joint ventures is also to be given higher priority and banks are supposed to give ventures loan priority.

The council said the regulations were designed to "improve the investment environment, improve product quality, and expand exports in order to generate foreign exhange."

Foreign investment

Even if Kokuro is weakened, its ability to cause disruption in the run-up to privatisation should not be underestimated. Until about 10 years ago, when a moderate leadership took control, it was one of the most militant unions in Japan and it could return to its tendancy to stage frequent strikes.

Also, there is always a

could return to its tendancy to stage frequent strikes.

Also, there is always a potential for sabotage. JNR lines have been sabotaged three times in the past year. Three weeks ago, six commuter lines in the Tokyo area were paralysed when signalling systems were cut.

Tokyo police said they suspected leftist radicals opposed to the privotisation plan.

Historic visit to China tests the commercial value of the Queen

HOW MUCH is the Queen among better educated Chinese worth on the China markets? Is to confuse the Queen with By the end of this week, British companies who have hitched projects to Her Majesty's visit will have a better had the 1984 Thatcher visit in idea of what royalty means to Chinese commercial cadres.



magazines in Peking Sentine or the Querna and the private of March Commonist Private Office In the Private Office I

Most Chinese peasants have little idea who the Queen is. And many of the educated

Robert Thomson in Peking assesses the likely business, political and social implications of the royal tour

in the same period last year. An optimistic Zeng Tuobin. An optimistic Zeng Tuobin, the Chinese Minister for Foreign Economie Relations and Trade, said yesterday that "the visit to China by British Queen Elizabeth II will have a profound historic significance in increasing the trade relationship."

Other companies hoping that the companies hoping that the visit for for for include Cable and Wireless, Short Brothers, Baker Perkins, Cleinwort Benson, British Telecommunications, and Rollsincreasing the trade relation ship."

The British Overseas Trade
Board has attempted to take
Board has attempted to take
commercial advantage of the
tour hy organising a two-day
economic co-operation seminar
in Shanghal, beginning tomor.
row with the first day's activities on board the royal yacht
Britannia.

A businessman involved in
the seminar said the rare privithe seminar said the rare priviBut he stressed that, in the

Other companies hoping that business will flow from the

rango from a Shanghai sewage schome to a thermal power

future, which is Chinese and not British.

British officials are certain that the Queen will meel Deng Xiaoping, though the Chinese like to keep these things in doubt for security reasons. Of all Chinese, those who best appreciate the status of the Queon are the country's leaders, who have overseen the widen-ing of a road to the Xian warriors and the renovation of her lodgings at the Discovulal—
fishing platform — guest

house.
The most interesting article

Boost for foreign investors

By Robert Thomson in Peking

age of incentives, including a ceiling on salaries of Chinese staff and extended tax concessions to joint ventures, in an attempt to increase foreign inventures.

bo reduced to 183,000.

It has been estimated that, apart from early retirements, there will need to be about 93,000 redundancies.

The Government has offered generous terms and is finding alternative employment for many.

The provisions, issued on Saturday by the country's State Council, will give foreign partners greater power to hire and fire staff and extend tax breaks on ventures using advanced technology and those exporting more than 70 per cent of their output.

Foreign investment fell 20 per cent in the first balf of this

CHINA HAS introduced a pack-

pected leftist radicals opposed to the privotisation plan.

A majority of the newly-elected Kokuro leaders are from left wing groups associated with the Japan Socialist Party or the Japan Communist that wastes time," according to the official news agency, Xinhua.

Philippines' constitution agreed by commission

A SPECIAL Philippines commission yesterday approved a new constitution expected to legitimise the revolutionary Government set up by President Corazon. Aquine eight months weapons in its territory."

But it also includes a provision saying: "The Philippines, consistent with the national interest, adopts and pursues a policy of freedom from nuclear weapons in its territory." Reuter reports from

The panel voted 44-2 in favour of the constitution which will be presented to the people for approval in a plebiscite in

January.

Commission members said the charter would fix presidential terms at six years and included former senators and included former senators and allow no re-election.

Mrs. Aquino replaced Mr congressmen, retired supreme
Ferdinand Marcos in a revolt in
February. She declared a revoters, Roman Catholic priests Ferdinand Marcos in a revolt in February. She declared a revolutionary government after tearing up the 1973 constitution introduced by Mr Marcos during his rule of nearly 20 years.

The constitution also envisages a two-chamber congress, abolished by Mr Marcos when he declared nine years of martial law in 1972.

It would allow the US to nego-

It would allow the US to negotiate a new lease for military bases in the Philippines after the current agreement expires

In an apparent move to prevent presidential abuse of emergency powers, the constitu-tion would limit imposition of martial law to 60 days and ban the President from abolishing

against the draft constitution, Mr Jose Suarez and Mr Jaime Tadeo, of the Nationalist bloc, said the document failed to con-sider the poor and "only strengthened elite democracy."

Portugal confirms boycott

PORTUGAL has confirmed it annexation of the former Portu PORTUGAL has confirmed it will boycott next week's EEC- Asean foreign menisters' summit in Jakarta, reports John Murray Brown.

Officials in Lisbon have pointed out that, since 1975, all diplomatic links with the host country, Indonesia, have been cut, following Indonesia's anneration of the former Portugal, with guess island colony of East Timor, Portugal, which joined the EEC this year, will be represented at next week's summit by either the Netherlands or Britain. The meeting is to be chaired by Sir Geoffrey Howe, Britain's Foreign Secretary.

PRESS BRIFASE. 14th September, 1986.

Magnapix'a latest.

Magnapix has today announced the release of their latest film, "Giving and Taking". A block-bustar of n love story set in wartern Europe, it's directed by William Healey and atara Jim Roberts, Philippa Baldwin and Rarl Krotachmar-Schuldorff.

Based on the best-selling autobiography of Belinda Ballantyne, "Giving and Taking" tello the atory of a young Englishwoman (played by Baldwin) who is married to a German (Kretschmar-Schuldorff). When war breaks out, be is drafted and eventually sect to the Russian Front.

WW2 Beroism.

During the years to come, Baldwin has more to cope with than three children, the Allied bombing, the neighbours' hostility and the unthorities' auspicions. She also meets, and falls in love with, a Canadian Intelligence officer masquereding as a Swies cultural attache (Roberts).

When Kretschmar-Schuldorff loses his legs to a partiasn's grenade and is sent home; he begins to suspect that Baldwin is having an affair. But that is only half the truth - she is also actively esgaged in helping Roberts with his espionage work. influt

Schulderff confides his anguish over his wife's infidelity to a neighbour, who is, unfortunately, an informer (played by the great old character actor, Tim Baynes). Baynes discovers that Roberts is a spy, and informs on both him and Baldwin. A TO S chnapps, Kretschmar-

Confronted by the hurt and angry Kretschmar-Schuldorff, Baldwin and Roberts confeas their anti-Nazi activities, just as the Gestapo arrive outside their apartment building to arrest them. Kretschmar-Schuldorff, in order to distract the Gestapo and give Baldwin, Roberts and the children time to escape across the roof, drags himself over to the window and throws himself out.

In a recent interview on the set of his next film, William Healey, the director, apoke at some length about "diving and Taking"
"I think what first attracted me to the atory was the shear scale
of the human sacrifice involved. First, you have old KretschmarSchuldorff defending his country, although he disagrees with the
policies of the Waxi party. Then Baldwin and Roberts risking
their own lives to apy for the allies. And finally, of course,
Kretschmar-Schuldorff making the ultimate ascrifice, for his wife
and the man who had atolen her lova."

Press release

14th September, 1986

Magnapix's Latest_

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World War 2 Herolsm

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The bare facts.

All dressed up.

At a brief glance, these two sheets are very different. The one on the right looks worthy of closer inspection — it appears to have interesting information to convey. Whereas you could be forgiven for conveying the one on the left to the rubbish bin.

Of course, they both say exactly the same thing. But it's the way they say it that makes the difference. And the "well-written" one was composed on the Apple™ DeskTop Writer System.

An integral part of that system is the software known as Microsoft Word! This is what allows you to use various typefaces, in different styles and sizes.

It enables you to insert footnotes and headers in your document. It paginates the entire document by itself And used in conjunction with other software, it permits the inclusion of graphs, illustrations

and spreadsheets. But those are just the technical facts. More importantly, it helps you

communicate your ideas in a clear and compelling fashion. Whether they be contained in a presentation, a brochure, a newsletter, or a humble memo. And if you use Apple's LaserWriter™ to print out your work, you'll have an artwork-quality piece.

You can buy the Writer System now at the special price of £2,995 — a saving of £470 off the list price. If you'd like to try it out first, a Test Drive is easily arranged. Or you can attend the



from October 29 to November 1. For more information, post the coupon, dial 100 and ask for Freefone Apple, or contact your local Apple Dealer

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Prophet of shared profits

INTERVIEW

Profit-sharing, says Professor Martin Weitzman, makes workers a precious commodity. He talks to Michael Prowse.

nomics professor. His self-confidence, ready smile and dapper appearance are more suggestive of a successful lawyer than of an ivory tower

acagemic.

Yoo also might not guess that
he favours a quite radical
transformation of the capitalist
system, one which he hopes system, one which he hopes would encourage companies to treat workers with some of the deference they currently reserve for their "pampered"

weitzman, who has a chair at the Massachusetts Institute of of ecc Technology, has gained inter-dem v national recognition for his work on profit sharing and his claim to have found a cure for unemployment that involves neither reflation nor incomes

His growing band of disciples includes Mr Nigel Lawson, the British Chancellor, who this summer used Weitzman's theories as a launch pad for a controversial green paper on profit related pay.

controversial green paper on profit related pay.

In the US, colleagues praise Weltzman's ingenuity but, on the wbole, reserve judgment on his work. The New York Times, bowever, has been less restrained, balling his book, The Share Economy, as the most important contribution to economic thought since Keynes's General Theory.

"The Greet Depression, be says, "is the extreme example, the cone they always gag on. He believes that economies meed managing: "Nobody is now following out a pure monetarist stance and when they did things didn't work out too well."

Weitzman's sympathy with Keynesian economic philosophy may partly reflect his own

General Theory.

Weitzman is currently a visiting professor et Harvard University. Occupying a rather spartan office, he seems to be taking international celebrity in his stride. He is friendly, informal and seems much younger than his 44 years. Is be disappointed thet US politicians have shown absolutely no interest in his ideas 7

Keynesian economic pantosipal may partly reflect his own personal history. He was born in extreme poverty on New York's Lower East Side.

Adopted at the age of seven, he inherited from his new parents e fear of economic malaise. Both had come of age during the Depression and Just could not find work. They betame interest in his ideas 7

FYOU met Martin Weitxman "You have a crisis," he says, at a cocktad party you might referring to the UK's unemployment guess he was an ecoment rate: "13 per cent is much

"I'm like Keynes," he continues, "in thinking that if things go wrong, you've got to to do something about it. You can't just stand around waiting for these 13 per cent unemployed to cause a revolution or bring down national morale." Britain, thinks Weitzman, "is

more ideologically divided than most countries." As a "re-formed Keynesian," his own prescription for the UK is a compromise which he fears will suit nobody: "some elements of economic expansion in tan-dem with basic reforms of the

dem with basic reforms of the wage system." The latter would include strong tax incentives for profit-sharing, stronger than those so far proposed.

He is unsympathetic to those who argue that liberalisation of markets alone is sufficient to the support of the supervision. guarantee prosperity. Like Keynes, he believes in the market system but he thinks it "needs help," "The Greet Depression," be

be disappointed that US policicans have shown absolutely no interest in his ideas?

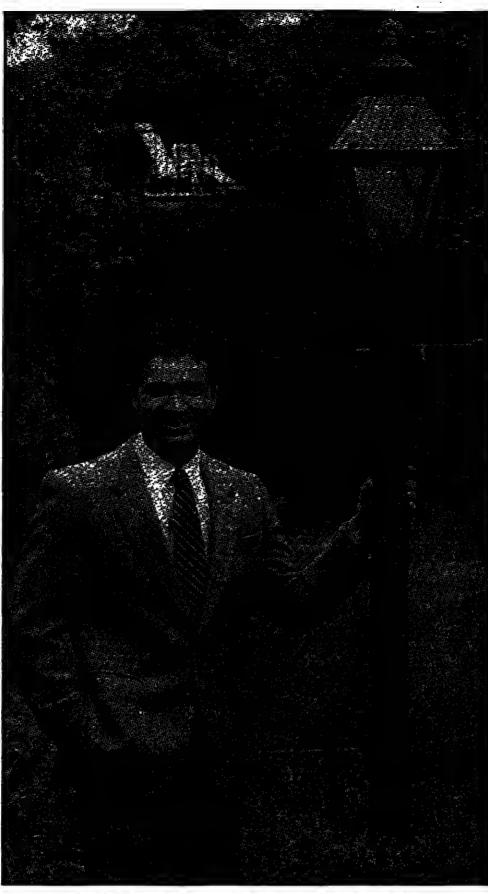
"'Absolutely no interest is self as Left of Centre—a new self as Left of Centre—a new has been some interest from newish, younglah Democrats. But the US is not e favourable environment because we are doing too well." With unenployment hovering around 7 per cent, job creation schemes no longer capture the popular imagination.

Sould not find work." They because the strongly Left-wing, now describes himself as Left of Centre—a new suppreciated. As he stresses in mould, but one who "believes goes to extreme lengths to "pamper and gratify" consumptions of this in the list of the special contrast, he supportation and good parks."

The US, he says, "definitely suggests, between a car deal-ployment hovering around 7 per cent, job creation schemes no longer capture the popular limits, may not be suppreciated. As he stresses in mould, but one who "believes goes to extreme lengths to "pamper and gratify" consumptions with the US, he says, "definitely suggests, between a car deal-ployment hovering around 7 per cent, job creation schemes no longer capture the popular limits, may not be suggested. As he stresses in mould, but one who "believes goes to extreme lengths to "pamper and gratify" consumptions of this."

The US, he says, "definitely suggests, between a car deal-plant in the Gary Hart The Share Economy, capitalism than is sometimes appreciated. As he stresses in mould, but one who "believes goes to extreme lengths to "pamper and gratify" consumptions of the contrast, he suggests, between a car deal-plant in the Gary Hart The Share Economy, capitalism than is sometimes appreciated. As he stresses in mould, but one who "believes goes to extreme lengths to "pamper and gratify" consumptions of the contrast, he suggests, between a car deal-plant in the Gary Hart The Share Economy, capitalism than is sometimes appreciated. As he stresses in the special capitalism than is sometimes appreciated. As he stresses in the special capitalism than

imagination. With profit or revenue shar-argues Weitzman, because of But he is not surprised that ing. Weitzman is proposing a the way people are paid. Under Europeans are more receptive. more radical modification of a wage system, workers (at



Martin Weitzman: he believes the free market system needs help

capitalism than is sometimes least in theory) are paid accordance appreciated. As he stresses in ing to their marginal productive risks. Full-blooded profits the Share Economy, capitalism tivity: "you're paying a worker sharing could turn the closed goes to extreme lengths to about what be contributes, shop into the shrinking shop. "pamper and gratify" consumtations therefore you don't give a shop into the shrinking shop. As another Harvard economist each, but it treats workers rather damn if he leaves."

ness. Some of the extra or marginal revenue be generates is kept by the owners of the company. Employers therefore al. ways have an incentive to hire new workers; there is a permaneral welcome the state of human nature."

Weltzman tries to draw a market of the post of human nature. new workers: there is a perma-nent excess demand for labour but one which, paradoxically, also puts downward pressure on workers' average pay—as more people are hired, labour's share of revenue is spread even more

way to raise their overall pay nent to co-exist.

Weitzman does not come

admits, "and it is conceivable one suspects he knows a few that they would be successful." good card tricks. He seems to be But the argues that histant a diligent and humane efforts to reduce employment researcher. He may not have efforts to reduce employment researcher. He may not have would, in the US at least, run found e miracle cure for stag-

damn if he leaves."

But under a revenue-charing contract, if an extra worker is taken on, he is paid less than the value be adds to the business. Some of the extra or marginal revenue he generated in the profit of profit sharing of new workers reduces the compensation of old workers." It puts workers much more directly into company that the profit of the profit o

parallel between the goods and labour markets which really isn't valid. Washing machines are unlikely to mutiny if a new discount price is sispped on them; workers are.

He seems curiously undecided about the significance of his

"They might," Weitzman across as a magician, although hold, counter to all legal tradition.

Anyway, he adds, "what have pertinent question about one you lost? If unions are that aspect of the capitalist system dastardly and that powerful, and in doing so has helped to you're only back in the same set a new agenda for macrosort of world as today."

PERSONAL FILE

Born New York City. BA physics, Swarthmore, Pennsylvania. MSc operations research and statistics, Stanford 1967 PhD, Economics, Manachusetts Institute of Technology.

1967-72 Associate Professor, Yale, Associate Professor, MIT. 1974-36 Professor at MIT.

Publishes The Share Economy (Harvard Univ Press).

Visiting Professor at Harvard. ideas form basis of British Government paper on profit sharing.

Stagging the Stock (oile Exchange

THE Stock Exchange needs a new constitution. Last time it tried to agree one it failed, but in the next few weeks it will be having another

All this is one of the many indirect consequences of Rig Bang; the reasoning goes like this. The new dual-capacity securities firms need outside securities firms need outside capital. That capital would not have been injected by big banks and foreign securities groups unless they had been promised that their votes, rather than those of 5,400 sometimes wayward individual members, would determine the council's membership and

council's memberanip and sing stock market plants.

Therefore the Exchange's toners that the £1,000 initial membership less could pay off the supership basis, needs to be amended. That will require at least a 75 per cent vote in favour hy members in general meeting.

Tomorrow the Exchange's raling Council is likely to be in a position to consider and, its own inclinations, to approve constitutional changes which are to be voted on hy members.

It appears that members are to be offered "compensation" for their self-sacrifice in giving up many of their voting rights.

At one stage it was hoped to the self-sacrifice are members are to the stage it was hoped to the self-sacrifice in giving up many of their voting rights.

78.6 per cent vote in favour. That scheme was based on splitting each member's exist-ing single share into five mar-ketable units, which it was pro-posed would sell at a price determined by the enthu

determined by the enthusiasm of the corporate member firms in buying them.

A ceiling of £2,000 per share was originally proposed by the Council, to be made effective by opening a tap of new shares at that price. In the end the idea of imposing this £10,000 per member ceiling was dropped. per member ceiling was dropped in order to buy support. But

By Barry Riley



smong stock market practi-tioners that the £1,000 initial membership fee could pay off

At one stage it was hoped to offer £15,000 per member, but this has apparently edged down to £10,000 in the final proposal.

Although the details may be different, this tooks like something of a re-run of a previous plan, which was narrowly huned down by members in Jone 1985—it received only a 78,6 per cent wate in favour.

Whereas in the Council's favour.

The other important argument is based on the fact that the constitutional proposal is not, this time, a self-standing affair but a necessary part of the Stock Exchange's plan to merge with Isro, the International Securities Regulatory Organisation.

Whereas in the Council's favour.

Organisation.

Whereas in the early part of 1985 the external threat to the Stock Exchange seemed theoretical, Isro has since emerged. as a clear potential rival for business in international grade equities should the merger fail

equities should the merger fall to take place.

On the other hand, as Big Bank draws very near, there are signs of growing unhappiness amongst the Exchange's rank-and-file membership. Many do not fancy a future watching green screens in upstairs trading rooms, and in any case are apprehensive about their personal prospects in the shakeout

Officially the Stock Exchange hierarchy is stressing the inevitability of the proposed changes. Privately, executives and Council members are ner-

The old arguments about the value of the Exchange's assets, notably its £100m tower, have been trotted out again. As a mutual organisation the Stock Exchange cannot distribute its income to members, but the assets, in a winding-up, might be a different matter.

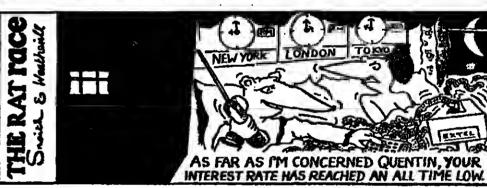
Quite apart from the possibly severe tax implications of a liquidation, however, it could be liquidation, however, it could be argued that the assets should not really be cashed in by present members, who have never paid for them, but have simply inherited the title. They are criectively trusters. On the other hand, should all the naruware, software and goodwill of the London Stock Exchange be handed over to the likes of Merrill Lynch, Nomura and Union Bank of Ewitzerland?

In fact, the Exchange has

In fact, the Exchange has become committed to allowing become committed to allowing in newcomers very cheeply. There was a promise to the Bank of England not to charge an unreasonably high entry fee, and that was subsequently reinforced by the Exchange's own realisation that it needed to woo the Eurobond houses in case they decided to set up their own international equity archange. As recently as 18 exchange. As recently as 18 months ago the Exchange was still thinking in terms of corporate membership as a privilege being generously extended. Since then, the Council has realised that it needs Isro's members at least as much as they need the Stock

Exchange. In retrospect it was some-thing of e blessing in disguise that the 1985 plans were turned down. The £10,000 per member down. The £10,000 per member was to have been stumped up by new corporate member firms, who were to be required to build up a qualifying shareholding. But suppose they bad walked away from this resistable offer? The Exchange would have found it hard to deliver an acceptable value to members for their shares.

members for their shares. Now, however, the Council could find itself committed to in order to buy sipport. But apprehensive about their personal prospects in the shakeout sonal prospects in the shakeout then, why should it be now? One factor on the Council's side is that the membership has prospect will be tempted to express that ceseminent by voting to 5,250. This may reflect expansion in the bull market, and a still better deal could be the value of individual membership. producing over £50m to com-



For anonymity

thinly.

Profit-sharing makes workers are currously undecided about the significance of his grectors commodify, claims weltsman. If somebody threatens to walk out, you are not indifferent. You say, "gee, why do you want to leave, have a seat, have a cigar." Profit-sharing would be transformed, with firms "cruising around like assume that allow markets would be transformed, with firms "cruising around like assume that allow markets would be transformed, with firms "cruising around like assume that the profit sharing for Weltman is not for extra workers."

In smother, he declares on wheels, earthing in nooks and crannies but rather of transformed to profit-sharing the motivation of employars.

His vision of a more caring capitalism doubless sowes moch to his study of alternative changes in employment, can way of the other."

In the long hunl, he reedily concedes, profit-sharing would the process "raises all thours is study of alternative changes in employment, one way or the other."

In the long hunl, he reedily concedes, profit-sharing would the process are raises all thours is study of alternative changes in employment, one way or the other."

In the long hunl, he reedily concedes, profit-sharing continued alongside the sovereign context to the magnitude of a sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign worker to stand alongside the sovereign context to the control of a sovereign worker to stand alongside the sovereign control of a sovereign worker to stand alongside the sovereign control of a sovereign worker to stand alongside the sovereign control of a sovereign worker to stand alongside the sovereign control of a sovere the magistrate's occupation and any other public office he may

Without the name and occupa-tion of the magistrate it might not be possible to make an application that the magistrete should not sit on a particular

The issue of anonymity in the administration of justice is not confined to those who sit in the seat of justice. When, if at all, may witnesses claim to give their evidence without reveal-ing their identity? Is an accused or convicted person ever allowed to claim anony-



courts are asked to protect an individual against public exposure through reporting in the press. Doubt exists whether any court has generally the power to make an explicit order directed to and binding on the press and public as to what might lawfully be published outside the courtroom. Courts rarely exercise any such power, although judges have been known to make a request for a witness not to be named outside the courtroom. Parliament has intervened in limited circumstances to authorise the courts to restrict the names of parliaments. participants. The most recent example has been the Contempt of Court Act 1981 which does mity, at least outside the courtroom?

Justice is generally administered openly. Once anything
is said and heard in the course

make appropriate directions.

of the proceedings, it is treated as being within the public domain. Claims to privacy and confidentiality thus go by the board. The corollary of that principle is the freedom of the proceed in the press, in particular the local newspaper? A press to disseminate anything frequent complaint is made that response that the proceedings, it is treated and unwelcome publicity that magistrates courts. It recommended a departmental committee to study the problem. The Government's response has frequent complaint is made that

the law provides a penal sanction for criminal acts; publicity given to that conviction and sentence merely gratuitously adds an unauthorised punishment. The complaint is the more serious where there has been an acquittal.

A report of a court case will often depend on the notoriety of the offender and the newsworthiness of the criminal event. The double penalty of penal sanction and unwanted publicity varies according to the part of the country it takes plece in and the degree of press activity.

The press in most European countries have adopted volun-tary codes under which identity of minor offenders is not dis-closed. These codes of practice appear to work well in provid-ing some privacy for offenders. ing some privacy for offenders. Some members of the Royal Commission on the Press (1977) in the UK concloded that in the case of relatively minor offences in magistrates' courts it was wrong to use the threat of what must inevitably be random publicity as a general deterrent against wrongdoing. They observed that no social harm resulted from such a limitation upon from such a limitation upon publicity in those countries which operated e system of anonymity. These members favoured the establishment of a system of a system of anonymity. voluntary code under the euspices of the Press Council euspices of the Press Council. An equal number of members of the Commission opposed any further restriction on press reporting, either by law or by a voluntary code. They thought that the threat of publicity did operate as a deterrent to crime, and felt unwilling to diminish its impact, even if publicity did function unevenly, and hence unfairly.

The Royal Commission, house

The Royal Commission, however, considered that the issues raised went beyond the report-

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE OFFECT FROM THE BANK OF ENGLAND, OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY,

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 10th October 1986, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

9) per cent TREASURY CONVERTIBLE STOCE, 1969
13) per cent TREASURY STOCE, 1996
112) per cent TREASURY LOAN, 1992
10) per cent TREASURY STOCE, 1992
10) per cent TREASURY STOCE, 1992
12) per cent TREASURY STOCE, 1995 £50 million £50 million £50 million £50 million 12 per cent TREASURY STOCK, 1995
101 per cent EKCHEQUER STOCK, 1995
91 per cent TREASURY LOAN, 1999
102 per cent CONVERSION STOCK, 1999
13 per cent TREASURY STOCK, 2006
10 per cent TREASURY STOCK, 2001
92 per cent CONVERSION STOCK, 2001
12 per cent EXCHEQUER STOCK, 1999-2002 £50 million £50 million £50 million £50 million 9) per cent TREASURY STOCE, 2002 9) per cent CONVERSION STOCE, 2005 11) per cent TREASURY STOCE, 2003-2007

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 10th October 1986 as certified by the Government Broker.

In each case, the amount issued on 10th October 1986 represents a further transhe of the relevant Stock, ranking in all respects part passa with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tas are described below. Copies of the prospectures for these Stocks may be obtaining. Rev. Issues, Walling Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The further tranches of 9½ per cent Treasury Convertible Stock, 1989 and 9½ per cent Conversion Stock, 2005 have been issued on an ex-dividend basis and will not rank for the interest payments due on 18th October 1986 on the existing Stocks. The remaining Stocks will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

Each of the Stocks referred to to this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th
May 1985 which explained that, in the interest of the orderly conduct of fiscal
policy, neither Her Majesty's Government nor the Bank of England or their
respective servents or agents undertake to disclose tax changes decided on but
not yet announced, even where they may specifically affect the terras on which,
or the conditions under which, these further transless of stock are issued or sold
by or on behalf of the Government or the Bank; that no responsibility can
therefore be accepted for any omission to make such disclosure; and that such
omission shall neither render any transaction liable to be set aside nor give rise
to any claim for commencation.

BANK OF ENGLAND LONDON

10th October 1986

MANAGEMENT

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Coiled to spring into a technological age

Peter Bruce explains how the West German group is getting to grips with diversifying away from its steel pipes core

while being asked a question just seven mounts to make a chance and then seems about to issuech himself from it when he ing predecessor had not had the industry and we have a chance in massive and profitable supplier."

The chair, mind, but the process, if repeated, can be unnerving. The chairman of Mannesmann is a colled spring. In 1970 Mannesmann swapped in the same proportion of Mannesmann is a colled spring. It steelmaking business for the turnover today in Mannesmann to be a leading and profitable supplier."

It must, nevertheless, be a cruel irony that pipes make up virtually the same proportion of turnover today in Mannesmann to be a leading in the first profitable supplier."

It must, nevertheless, be a cruel irony that pipes make up virtually the same proportion of turnover today in Mannesmann to be a leading in the first profitable supplier."

It must, nevertheless, be a cruel irony that pipes make up virtually the same proportion of turnover today in Mannesmann to be a leading in the first profitable supplier."

It must, nevertheless, be a cruel irony that pipes make up virtually the same proportion of turnover today in Mannesmann as they did nearly 20 years ago, in 1968, when the group began trial group. It was a spectacular to diversify. It is the sheer scale of that change that makes the

about.

Dieter, 57, has been chairman for just over a year end he is already in danger of becoming fashionable. Der Speiel, a magazine that tries never to compliment, recently carried tobes, especially the scamless an article about Mannesmann's oil country variety, than in hot enormous problems with seamless pipes that made his efforts to solve them seem almost epic. But the group allowed itself a luxury at that time for which another journal has found it is paying now—it held on to remarkable that he dresses simply, makes little small talk and is apparently not interested all, Max and Reinhard Mannesmann who founded the group in and is apparently not interested in the theatre, music, books, fine foods or sport.

Even if he were, he would probably have little time for them now anyway because he is trying, once and for all, to do, what his predecessors have been trying to do for 16 years — to make one of the most adventurous diversification proventurous diversification pro-grammes in West German in-dustry finally take root and succeed without being con-stantly threatened and derailed by a business (steel pipes) that he edmits a person "would have to be out of one's mind"

Mannesmann is one of the world's biggest steel pipe manuworld's objects therefore cannot just walk away from the
DM 6.2bn (£2.17bn) a year turnover this generates — still 34
per cent of total group turnover
last year — despite the fact
that the tubes division seems to yo-yo constantly between loss and, when it gets really lucky, break even. The company has been warning since the summer

In 1976 Mannesmann swapped its steelmaking business for the tubes business of Thyssen, the West German steel and industrial group. It was a spectacular deal at the time and one that established Mannesmann among its peers as being foresighted and wise. There was, after all, more added value in pipes and tobes, especially the seamless oil country variety, than in hot strip.

mann who founded the group in 1890 after becoming the first people to produce seamless steel tubes by rolling a solid ingot. Mannesmann still pro-duces around 3m tunnes of raw tube steel a year, practically

Long term loyalty

This means that Dieter is looking, probably more urgently than he lets on, for a partner to make steel with, which probmake steel with, which prob-ably implies a recognition that be is unlikely to find anyone brave or mad enough to buy the steelmaking parts of Man-nesmann off him entirely. But there is more to it than that. Dieter is not a steel man. He grew up in Mannesmann's hydraulics subsidiary, Rexroth, yo-yo constantly between loss hydraulics subsidiary, Rexroth, and, when it gets really lucky, which be joined in the 1960s; break even. The company has his loyalty in the long term to been warning since the summer that tube division losses (again.

For the moment he puts a stages between At the same the property of prisoners control of Harth again.

Dieter, who became chairman in the future and the question troubled AEG.

WERNER DIETER sometimes after the death last year of Dr is, 'who will supply that mar-hunches himself up in a chair Franz Josef Welsweller, took ket?' There will have to be a while being asked a question just seven months to make a European steel pipe and tube and then seems about to is unch dramatic decision that his all-industry and we have a chance

of that change that makes the lack of reward today so bitter and which probably makes Dieter seem so determined and even angry.

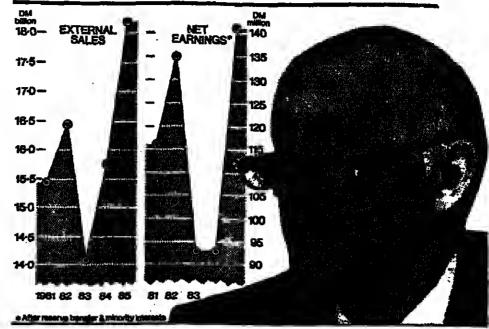
Turnover then was DM 4.4hm,
Tubes and tube products made
up 31 per cent of sales, steel
sheet and plant and machinery,
16 per cent each, coal and other
raw materials 6 per cent and
most of the rest being contributed by various trading operations.

In 1968 Manne a stake in family-owned Rezroth and took it over completely in 1975. In 1989 the group gave up its coal mining activities to Ruhrkohle and stunned the European steel industry in 1970 by the swap with Thyssen, which also paid Mannesmann DM 100m at the time in order to dissuade it from merging with Hoesch, another steel-maker.

Hardly pausing for breath, the Dusseldorfers then turned their attention to one of the country's biggest crane makers, Demag, and took it over between 1972 and 1974. At almost the same time they bought a small precision in-strument company, Constantin Rauch, in Ulm; quickly turned it to producing computer printers and merged it with a US printer producer, Tally, that was bought in 1979.

to Klenzie, a struggling Black have such a passion for technology that he would probably nesmann found and bought in be incapable of ignoring the stages between 1981 and 1982.

At the same time it also took Tally was finally married off At the same time it also took cation, a textbook mixture of control of Hartmann and Braun, a process control and measuring business from the then deeply virtually all the key components



cent stake in ANT Nachrichten-technik, along with Robert Bosch, a major telecoms trans-mission equipment business that was also once part of AEG

Last year it tried and just leader if failed to buy Dornier, the turn of a country's second-biggest acrospace group, although officials asy the attraction was Dornier's he says. Clettronics rather than its air-

see in our group. I am interested in anything to do with

ested in anything to do with automation." He says, too, that he may have to look abroad.

But so much depends on his getting Mannesmann-röhren-Werke right. First, it would be cruel and politically dangerous to make hig acquisitions while the 6,500 laid-off tobes workers take their long leave of the company. And then there is no guaranteeing then there is no guaranteeing that the steel tubes market, heavily dependent on oil drill-ing activity, will not continue to soften or, if it makes a few positive signals, quickly be saturated again.

Even if the rot in tubes gets worse, though, Dieter is said to have such a passion for technology that he would probably be incapable of ignoring the rest of the group. The diversification, a textbook mixture of intent and some opportunism, has delivered into his hands virtually all the key components of the factory and process auto-

Today it also owns a 425 per mation markets that he is so find someone to make steel out stake in ANT Nachrichten- keen on.

Bosch, a major telecoms tram-mission equipment business that was also once part of AEG and his just bought control of a small Munich software house, leader in factory automation, Dieter believes it is now the turn of mechanical and produc-tion engineers to take a land. "Finding good people is tough,"

Virtually craft.

There is something restless about Mannesmann. Dieter says the acquisitions will probably to continue. "There are many big and medium sized companies in Germany that we would like to see in our group. I am interrevolutionary — so the claim goes — drives that will prob-ably find their way into automated factories.

Apparently profitable

Demag, with total sales last year of DM 3.2bn, is big enough in materials handling to carry other subsidiaries with it on major contracts. Its second strength, in steel plant, also remains promising, particularly if the US and other mature steel

keen on.

Demag, now one of the world's great materials handling equipment producers, is the core. leaves another potentially rich procuraged by the failure of area of diversification—tale. communications - out in the cold. ANT Nachrichtentechnik but, more important, it has secured Government contracts which will take it into broad-

band communications, the second and potentially most lucrative phase of Bonn's intro-duction of digital switching. Dieter denies he is thinking of getting out of ANT but confesses that he is not quite sure what to do with it. "You see how difficult this sector is for experienced players," be says "Do not expect any spectacular movements from us."

Some analysts believe that what may happen in the near future is a major investment in the US. The currencles are in the US. The currencies are right, says one, and the market's there for almost everything mechanical or electronic that Mannesmann makes are big and under-exploited — accounting last year for less than 10 per cent of total (including pipe) sales. Apart from its Brazilian venture, Mannesmann has been eo y about manufacturing coy about manufacturing

Yet all talk about the future

Personnel: we've seen it all before

David Brindle reports from a recent conference

THE DOUBTS were voiced after only the first speaker of the two-day conference. "So what is so new about any of that?" was, in so many words, the general criticism.

The speaker, personnel manager of a leading electronics company, did well in further discussion to recover

further discussion to recover from the entiting accumations that the ismovations he had outlined were nothing more than 1970s old last.

But the suspicion persisted throughout the conference, held recessity at Warwick University, that the king's new clothes were not quite what they were made out to be. The "development of human resources," the theme of the event, was surely just human resources," the theme of the event, was surely just a raging of tired old personnel theories dusted off and given a grand-sounding

in fact, that Keith Sissen, director of Warwick's indus-trial relations unit, was forced at the end of the conference to take the bull by the horns and admit that there was, indeed, nothing new under

indeed, nothing new under the gan,
"If people were thinking there is an instant solution, then I do not think there is one," he said. "Virtually every one of the speakers has been honest enough to admit how humble their solution is."

how humble their solution is."

Perhaps expectations had been too high. The conference, the first of a series organised jointly by Warwick and Industrial Relations Services, had attracted personnel, industrial relations and human resource managers from organisations ranging from the EBC and British Rail to ICI and Scottish and Newcastle Breweries. Many of them made the point they were not habitual conference-goers.

goers.
What had drawn them to
the Warwick event (for which
they each paid \$471.50) was
its promotional sell that "sucits promotional sell that "success in the market place lies in the effective management of human resources" and its packaging of something of everything that is in personnel fashion: workforce flexibility, performance pay, employee participation, training and staff development and Japanese-style management. The speaker list, too, was impressive, including Len

impressive, including Len Peach, chief executive of the National Health Service and the gara of luming resource

managers from his days at IBM, and Peter Wickens, per-sonnel director of Nissan UK, the showcase of integrated human resource planning. Here, it may have seemed, could be picked up in less than 43 hours the essential elements of a human resource management starter pack.

What became clear during the two days, however, was there is no one template for effective human resource man-agement — that the solution for one company may be irrelevant elsewhere, that what is old hat to one manager may be quite novel to another. Thus the first speaker's Thus the new spensers account of his progress on feerfole working time, including winning agreement to a working week of up to 45 hours without any overtime pay but with time off in lieu, was received with little concealed wonder by some of those present. To others, though, it was so

tried if themselves, unsuccessful.

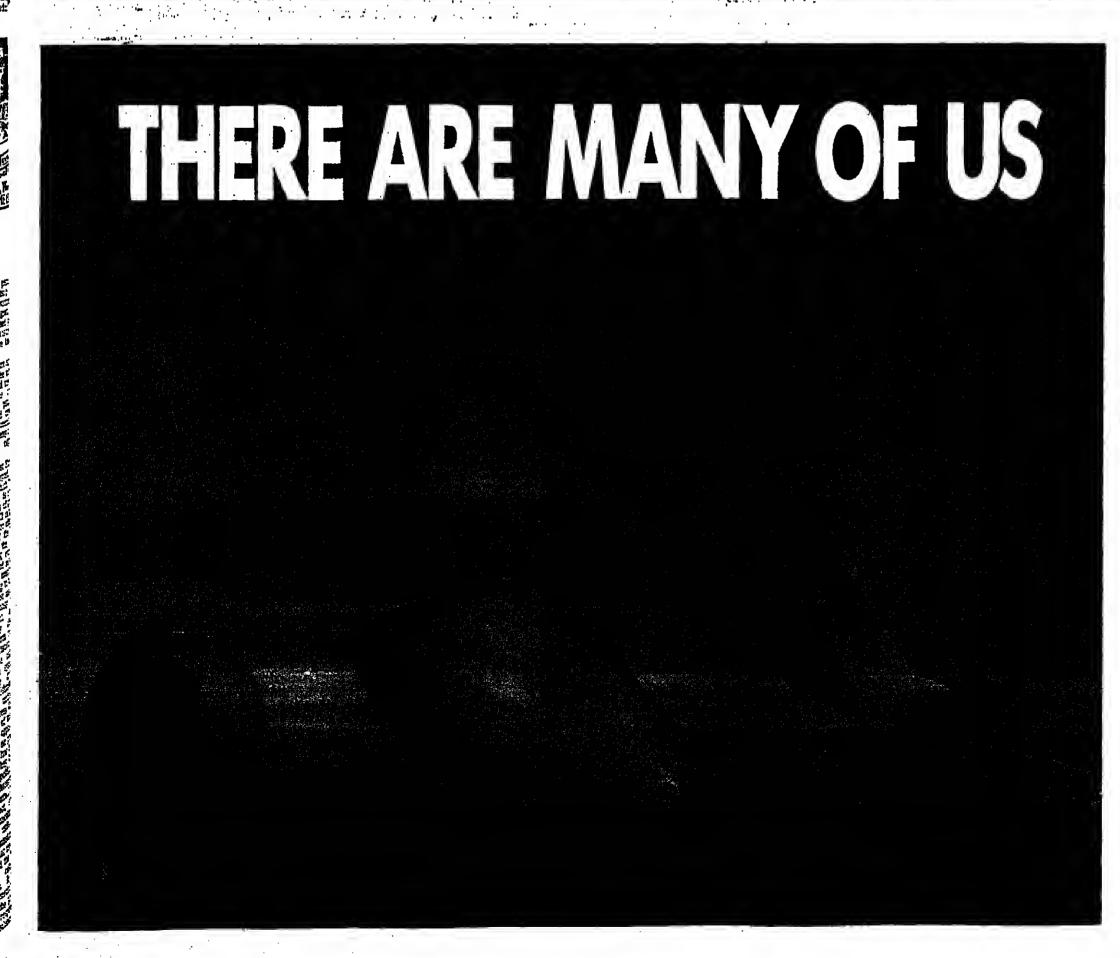
A personnel manager of a prominent oil distribution company said: "We have a lot of high-cast equipment which is better utilised by paying for overtime than having it left standing lifle by skilled workers having time off."

Similarly, there was evident feeling that it was considerably easier to win employee agreement on fieribility, on performance pay and long-term wage deals, if the company was facing inevitable upheaval and if, at the same time, it had eash with which to buy change from a smaller resulting workforce. As one speaker loked: "People say it's all right for them—their factory burned down."

In this context, the opportunities open nowadays to prospective employers like Nissan were regarded with some entry but not by everybody. As Wickens outlined his achievements at the Japaneso company's plant at Washington, Tyne and Wear, Frank Hughes could barely contain himself.

"We did all of that in 1979," said Hughes, of American Can UK in Runcorn, Cheshire. Brandishing the union agreement he kept in his pocket just to prove it.

the union agreement he kept in his pocket just to prove it, he added: "We didn't need the Japanese to come along to tell us how to do it. Wo just got en with it—no problem."







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THE BEST CONNECTIONS IN THE WORLD MEAN NOTHING IF AN AIRLINE FORGETS THE HUMAN ONE.

Rover Group to sell stake in Australian unit

pan, as well as ruling out a manage

Mr Day has quickly reversed that

ugh last year only 30 per cent of

JRA's business came from sister

Rover Group companies, it will re-main an important customer for UK

For example, JRA is currently putting the finishing touches to a

talian army with 2,900 Land Rover vehicles over the next five years, starting with first deliveries late in

1987. Most of the vehicles will be as-

ambled from UK-supplied kits at JRA's Sydney factory. It is understood the Australian Department of Defence is not worried about the

JRA will also provide export or-

ders for the Rover Sterling, Austin Rover's new executive model devel-

oped in cooperation with Honda of

Japan. It was intended that the new

Rover model would be supplied to Australia from Japan, where Flonda will make some cars for Austin Rover. But the substantial increase

in the value of the yen makes sup-

ply, from Britain a more economic

change in JRA's ownership.

products.

ROVER GROUP, the state-owned resisted takeover approaches for vehicles company, will announce JRA from companies controlled by the sale of a majority interest in its local businessmen Mr Alan Bond Australian subsidiary, JRA, this and Mr Ron Brierley and Honda Jaweek by way of a management-led buy-out.

The move means Rover chairman and chief executive Mr Graham Day, who took over in May, has repolicy and will add JRA to a privatisation list which already includes Unipart, the spare parts subsidiary, and Leyland Bus.

However, he has decided that Rover should keep a significant mi-nority shareholding - perhaps 20

The rest will go to the management team, led by Mr Phil Hovell, 40, the managing director, and a group of international but Australian-based institutions.

JRA has had a volatile profits record so the price is more likely to be related to the company's net asset value which at the end of last year was A\$77.8m (£34.4m).

The company made a net profit of A\$24.9m on a turnover of A\$247m last year, up from A\$19.7m on sales of A\$243m in 1984, and doubled its dividend to the UK parent to

JRA has warned that this year's profits will fall steeply from the 1985 level because demand for inxury cars has stalled in Australia following the imposition of a huxury car tax, a sharp increase in the price of imported cars caused by the devaluation of the Australian dollar and accompanying high in-

The previous Rover Group car division management team last year

BA sale details to be unveiled next week

By Lynton McLate

BRITISH AIRWAYS and the Government are to give details on Octo-ber 21 of the offer for sale of shares in the airline.

The Government is hoping to sell the airline before the end of the 1986-67 financial year on March 31 policy but wants Rover Group to keep a key shareholding in JRA Al-- a year when the airline's own stockbrokers, Philips & Drew, forecast a fall in pre-tax profits from £183m in 1985-85 to about £125m. The north Atlantic routes repreented over 40 per cent.

The north Atlantic routes represented over 40 per cent of BA's profits in 1985-88, "but earnings here will have come under pressure in 1986 and BA's traffic may decline by 15 per cent in the first six months of 1988-87, reflecting falling tourist arrivals," Phillips & Drew

Phillips & Drew forecast in a circular on international airlines. "a strong recovery in BA in 1987-88 to around £200m pre-tax profit. At the same time, the brokers forecast higher capital spending by the airline, including the possible purchase of additional Boeing 757s.

Phillips & Drew said that part of the reason why BA planned to acquire its fleet of 16 new Boeing 747-400 long-range aircraft on flexi ble, long term operating leases was "the possibility that the 1990s will see new generations of aircraft powered by highly fuel efficient

 The first of 10 British Aerosp recovery and privatisation of Jag-uar. Mr Hovell took over as manag-ing director in 1981 and his first job was to decide whether it should be (BAe) 146 four engine airlines for the Civil Aviation Administration of China (CAAC) has entered service on routes from its base at Lanzhou, 700 miles south west of Peking, BAe closed down or if it could be rescu-

Risks to long-term | BCal calls unemployed 'double for action after three months'

The Government last week an-

year, the long term unamployed are given individual courseiling aimed

at providing job offers or places on

Long-term unemployment as a

proportion of total employment va-ries regionally from 14 per cent in the south east (excluding London)

to 47 per cent in the west Midlands.

view shows that about 13 per cent of all vecanicies at Jobcentres in the

spring had been unfilled for at least

two months, nearly a quarter of them because of skill shortages. More than 80 per cent of known

skill shortages are concentrated in

the processing, manufacturing and

It places more emphasis on devel-opments in the financial sector of

the economy - in particular the

money supply, asset prices and sav-ings behaviour — than traditional economic models.

Another survey in the MSC re-

training schemes.

Growth 'may reach 4%'

the pass of consonic growth to 4 al distinct characteristics compared per cent next year, the London secto those operated by other City of

ilty Programme or

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

THE RISK of a person joining the long-term unemployed almost nounced a pilot project to extend its doubles after three months without Restart programme to those who work, according to research by the have been unemployed for six Manpower Services Commission months or more. Under this (MSC) which administers the Gov- scheme, available for people who ernment's training and employ have been jobless for at least a

An analysis in the MSCs Labour Market Quarterly Report, pub-lished today, shows that someone becoming themployed last year had a 19 per cent probability of remaining without work for a year, and a 4 per cent chance of still be-ing unemployed after three years. But if a person had not found

work within three months, the

chance of remaining unemployed

for a least a year rose to 37 per cent, with the probability of unemploy-ment continuing for three years going up to 8 per cent. About 41 per cent of all unem-ployment benefit claimants are

BY OUR ECONOMICS STAFF

urities house L. Messel has fore-

The upturn, however, will be ac-

tion and the annual rate of price in-

crease could reach 10 per cent in

two to three years time, it says.

ied by steadily rising infla-

long-term unemployed - people who have been without work for at

on BA competition

ERITISH Caledonian Airways has called on the UK Government to establish conditions of entry for alrlines wanting to compete with Brit-ish Airways. The aim is to restrict anti-competitive behaviour by BA

to allow fair competition.

Mr David Column, managing director of BCal, has written to Mr John Moore, Transport Secretary, asking him to consult the civil aviation industry under the auspices of the Civil Aviation Authority. Mr Coltman hopes this will lead to ac-tion by the authority to protect the entry of British carriers on BA

BCar's criticism comes two weeks after Britannia Airways, one of the UK's largest holiday charter airlines, lost its battle to prevent BA from operating group and inclusive tour flights and to prevent British Airtours, a BA subsidiary, from operating scheduled services. Britannia wanted to restrict BA's and Airtours' activities in the BA originate.

tours' activities in the BA originating market for leisure travel.

Mr Moore diamissed Britannie's appeal against the refusal of the CAA to revoke or vary air transport licenses held by BA and British Air-

British Airways is to be sold to the private sector early next year. THE PRESENT strong and "excessive" growth in Britain's money is forecast is based on a new comsupply and better world prospects puter model of the economy which should result in a sharp increase in the securities house says has sever-Mr Moore said in announcing his dismissal of the appeal by Britan-ma Airways: While BA had the potential to engage in anti-compet sehaviour, there was no evidence that it had done so, was doing so, or was about to do so."

He was unpersuaded that BA's dominant position in British aviation itself precluded fair competi-tion and the sound development of

BCal was prompted to take action because of what it regards as BA's pre-emptive strike to hamper BCal's entry on the London-to-To-kyo route. BCal was granted a licence by the CAA to begin the first British non-stop services between London and Tokyo in April, breaking the BA monopoly as the only British airline on the route. BA's services stop at Anchorage.

The authority said it would be happy to consult the civil aviation industry about possible changes Ahead of the start of the new ser vice, BCal is already feeling vulner able. BA has increased its service from five flights a week to six flights a week. BCal is concerned that BA might add a seventh flight. Under the Anglo-Japanese air service agreement, airlines from

each country are restricted to a maximum of eight flights a week Japan Air Lines is the only Japanese airline on the route. It op-erates all eight flights. A seventh flight by BA would leave BCal no room within the bilateral agree frequency. Talks on the agreementake place in Tokyo in December.

This is a deliberate attempt by BA to mop up surplus traffic to make BCal's entry to the route more difficult," BCal said. "BA's ac-tion is designed to block our competition on the route."

"It is not much use licensis lines to compete, as on the Tokyo route, if there is no mechanism to allow them to establish them-selves, BCal said. "Unless a mechanism for market entry is brought into being, the Government White Paper (policy document) on airline competition policy is a hol-

BCal failed in April to restrict BA to five flights a week to Tokyo. BCal is to hold talks in Mosco on October 28 to present its case for rights to overfly the Soviet Union en route non-stop for Tokyo. Cur-rent flights from London go via An-

chorage.

• BCal said yesterday it knew absolutely nothing about any interest from Sir Y. K. Pao, the Hong Kong shipowner in bidding to take over BCal. "He has certainly made no approaches to us," the airline said.

Tories and Labour make strong push to keep up momentum

the political momentum generated by the annual party conferences. Mrs Margaret Thatcher, the

Prime Minister, has called a meeting for today of the so-called "A Team" of ministers who will review policy in the light of last week's Toferesion at Bournemout! Later in the week the Star Cham-

ber committée of senior ministers will hold the first of a series of meetings to settle differences between spending departments and the Treasury over public expendi-ture levels for 1987/1988.

Tomorrow, the Labour Party starts a drive to put its policies somes to the electorate between now and the general election. In a new departure from its tradi-tional tactics it will launch a docu-ment "Investing in People," giving a succinct outline of the party's eco-

nomic and social policie The 20-page colour brochure will be launched at a press conference by Mr Neil Kinnock, the party lead-

er, backed up by senior party spo-kesmen and members of Labour's National Executive Committee. An initial print order of 75,000 copies will be on sale at 75p each in newsagents and 2,000 copies will be sent to key opinion formers.

In addition, 100,000 leaflets will be distributed in key marginal con-stituencies and it will be backed up by a party political broadcast to-morrow night.

Party officials were describing it as the "most persuasive and cogent" operation ever attempted by the

would use resources to create jobs

THE CONSERVATIVE and Labour rather than to pay for supporting a parties have a full agenda planted continued high rate of unemploy-for this week in a effort to keep up ment. It will also explain bow Labour to the continued of t bour intends to fund such measures following the recent claims that its programme would lead to higher

Although it is not intended to be a election manifesto a party official said: "We have been concentrating this year on revemping the party's image. Now we have to spell out our electoral message and present our policies in a coherent and determined way.

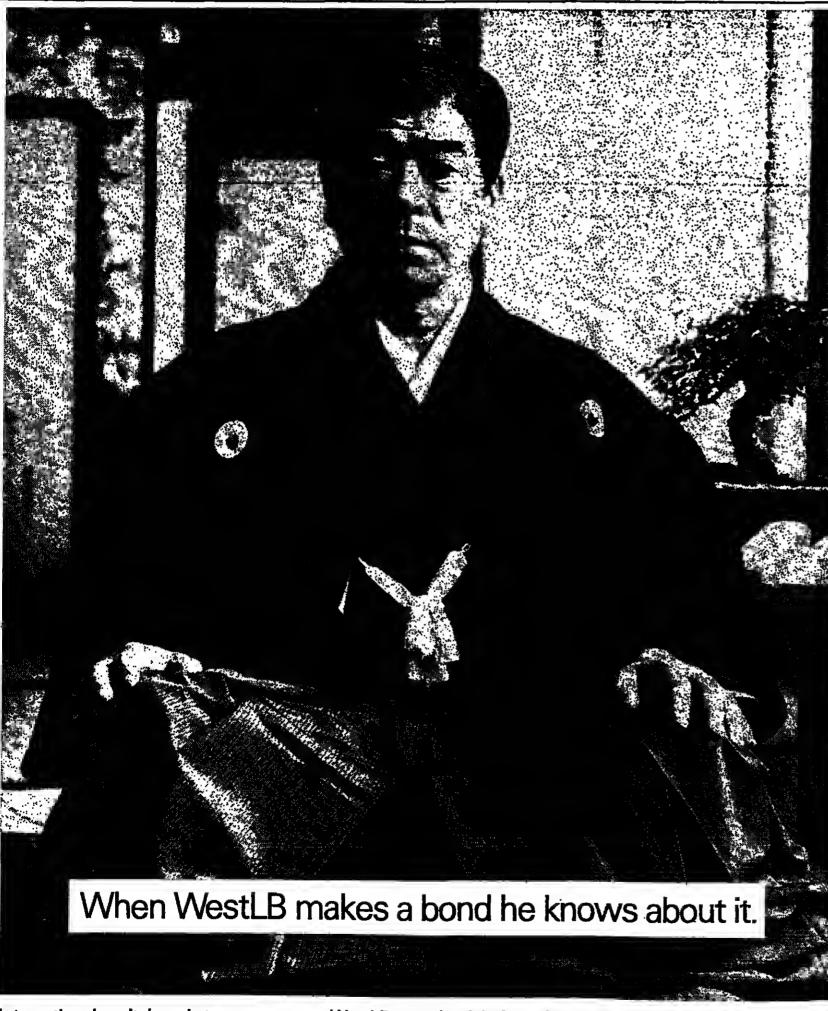
The Conservative strategy terms at its meeting today will be reviewing the work of a series of party pol-icy groups set up earlier in the year.

A note of caution is expected. There are feers that the suphoria of the Bournemouth conference could start a momentum for an early gen-eral election next year and so limit the room for manoeuvre over the

The Committee includes Viscount Whitelew, who is Mrs Thatcher's deputy, Mr Nigel Lawson, Chancel-ler of the Exchequer, Sir Geoffrey Howe, the Foreign Secretary, Mr Douglas Hurd, Home Secretary, and Mr John Wakeham, the Chief Whip (party steward).

On public expenditure, the Star Chamber will have to settle departmental spending levels for Mr Law-son to make his autumn statement

It is chaired by Lord Whitelaw and this year consists of Mr Norman Tebbit, the Conservative Party Chairman, Mr John Biffen, leader of the House of Commons, Mr John MacGregor, Chief Secretary to the Treasury, and Mr Kenneth Clarke. Employment Minister. A further minister has yet to be appointed.



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aid for unemployed BUSINESS LEADERS in Britain

standard rate of income tax the priority in the next Budget.

This is the view inspired by preliminary meetings in the regions at
which the Confederation of British
Industry (CBI), the UK employers

H these views are borne out by
the CBI conference next month, tax
concessions look like conclug low on
entation on the Budget. A further

the list of priorities to be summitted.

entation on the Budget. A further chance to gauge the mond of members will be provided at the CBI national conference early next month. But the feeling coming from the regions is that, Mr Nigel Lawson, the Chancellor is wrong in going for a standard rate cut. Instead, many businessmen want to see the Government doing more to cut memployment, more, that is, than the measures announced by Lord Young, Employment Secretary, at the Conservative Party Conference last week.

BUSINESS LEADERS in Britain show little enthusiasm for the sions, then it must be done by raisChancellor of the Exchaquer's determination to make a cut in the seen to be doing something for inner cities called for in the report standard rate of income tax the pri-those on low pay and getting some ority in the next Budget. the pri-

CBI urges budget tax

to Mr Lewson, by the CEI in its Budget representation early in

High on the list, however, will be the call for around Ellen exira spending on the infrestructure and

Part of the increased spending on inner cities called for in the report has already been agreed with the amouncement last week by Mr Nicholes Ridley, Environment Secretary, that the Government is creating four more urban development

It also calls for more spending in the inner cities along the lines ad-vocated in a CBI policy document published earlier this year.

ductivity. Mr Martin Morton, the CBI's acting director for the region, said; "Reports from members throughout Kent, Surrey and Susex show that productivity is upright across the board, in sectors inspending on the infrestructure and spending on the infrestructure and sincer cities. The first shot in this campaign will be fired by the CBI sex show that productivity is spending when it launches the third of the report, entitled "Fabric of the third of the report, entitled "Fabric of the chiding engineering, semi-conductors, process plant, factory equiput. The aim of the report is to set the stage for decisions to be taken by stage for decisions to be taken by manufacture in the run-up to the au-

Mr Len Linkerish, chairman of the commission, points out that the European response to the problems

Visitors to Europe spend more than \$8bn

By David Churchill

EUROPE'S TOURIST industries enjoyed their best-ever year in 1985 with foreign visitors spending a re-cord \$8.5bn, in Europe during their stay, according to the annual report from the European Travel Commission published yesterday.

The report shows that for the fifth successive year there was growth in the number of arrivals from large overseas markets, Leading the way were visitors from the US - up by 11.5 per cent on the 1984 figure to reach a total of 8.4m. Canada accounted for 1.2m visitors, up by 18.7 per cent, and Japan some 9 per cent more visitors at 0.5m.

The report also shows an increase in tourists from Australia. Argentina, and Brazil.

Although the impact of terrorism and the Chernobyl nuclear disaster has badly hit Europe's tourist industries in the first half of this year, the Commission is still forecesting an annual growth rate in visitors to Europe of 5 per cent per year up until 1990.

of the past year was based on "an intensive public relations campaign rather than advertising."

SIEMENS

Sealink pressed to end dispute

SEALINK UK may be prepared to significantly modify its demand for 203 redundancies on two cross-Channel ferries, which has become the main obstacle to a settlement of the dispute which has hatted the company's services to continental Europe and Ireland for the last 10 days.

Officials of the officers union Numast to the Channel port of Folke-sione say they have been informed that the company is about to with-draw its redundancy plans. Nation-al negotiators were still awaiting confirmation of the details of the company's proposale.

The NUS will hold further meetings with the company today follow-ing overwhelming rejection of the company's proposals at mass meetings over the weekend at Folke-stone and Holyhead, north Wales. Sealink UK refused to comment on whether it would withdraw its plans for redundancies.

Union officials believe pressure on the company to settle the dis-pute has intensified after Friday's announcement that the costs of the strike, and expected costs of return-dancies had forced See Containers, Seelink UK's parent company - to uspend its dividend payments.

Officials of Numast, and the National Union of Seamen, say that aflose to an overall agreement with the company.

In the past week what started as a dispute over the company an-nouncement of 492 redundancies as part of a plan to rationalise its ser- Sealink UK ferry all year. Of the

Charles Leadbeater explains how the dispute which has disrupted ferry services between the UK, Ireland and Europe may force Sealink to make significant changes to its redundancy plans.

UK's entire operation. Backed by a strike which has hit all the company's services except those to the Isle of Wight, the sea-mens and officers' unions have for the first time worked effectively together to force the company to add-

ress wider issues.

Many of these had been raised before at a local level. But mee in negotiations the unions insisted that the two sides should reach agreement on the future of all Seattle. link UK's services to avoid a repetition of the surprise announce of redundancies on the Channel is-

This issue was settled relatively quickly. But last Monday the two sides had an agreement that the 492 dismissed workers would be rein-

stated for 12 weeks on full pay. This would allow time for further negotiation to determine how many Serries could profitably run on the Channel Islands service. Seelink UK used to run four vessies to Jersey and Guarnsey, but it announced the job lesses under a plan to run a joint service with Channel Island Ferries which would only use one

vices to the Channel Islands, has three other ships which ran the turned into a battle over Seelink Seelink UK service two were to operate only during peak periods and the fourth was to be mothballed.

The company has now agreed that these plant might change depending on the outcome of negotia-

The unions have also won a com-mitment from the company that it will not introduce "affabore" con-

tracts on any of its routes. The Corbiere, the vessel which would provide the Channal Islands Parries part of the service is reg-istered in the Bahamas. The unions were worried that Seslink UK's collaboration with CIF would lead it to become the first ferry operator to run its ships under foreign flags and introduce "offshore" contracts.

Under offsbore contracts seamen and officers are employed via an employment agency, rather than di-rectly by the shipping company. They are responsible for their own pensions, sick pay arrangements, and often their national insurance

The company has also agreed to

Union negotiators accept that the company's decision to make 109 redundancies among seamen and offs-cers at Harwich on the east coast, who operated the port's rail freight services to Holland, will have to be pursued with British Rail.

The company has refused to guarantee there will be no future iob losses on the remaining passenger ferry at the port - the St Nicho-

The central issue of the negotiations has become the 203 redundar cies the company wants at Folkene and the 35 at Holyhead.

to re-route its Harwich services to Dover from January 31 next year to cut costs. A delegation of manage-ment and workers from Harrach hope to meet British Rail in an at tempt to persuade it to reverse the

The officers union is happy to al-low the issue to be settled by local negotiations which have been in train for some time.

Officers at Holyhead for instan have said they would agree to the redundancies as long as there would be guarantees of three year's

The National Union of Seamer wants a settlement in the nationa talks. But officers and retings work to set ratios, and any national ent on changes to ratings improve severance pay, provide the arewing levels would have to be re-unions with a detailed account of its uifed by local negotiations on offi-plans for all its services, and shide cert' manning levels.

Irish human rights plan rejected

By Hugh Carnegy in Dublin THE POSITION of Irish nationalists in Northern Ireland had worsened, not improved, since the signing last November of the Anglo frish Agreement, Mr Charles Haughey, leader of the Irish opposition party Fianna Fall, said yesterday. He also attacked what he called the "increasing arrogance" of British attitudes towards Ireland,

In a strongly worded speech, Mr Hanghey said that his party reject-ed a proposal which emerged last week from the Anglo-Irish interovernmental conference set up under the agreement to draft an all-Ireland declaration of human

The Fianna Fail spoke of a back ground of terror and oppression in Northern Ireland, where he said the abuse of human rights was a daily

"It is beyond comprehension that an Irish Government would countenance any such unwarranted intrurepresentation of the situation to this part of the county," he said of

nual commemoration at Boden-stown, County Kildare, where Wolfe stown, County Kildere, where the Tone, the 18th century campaigner. Ireland, is buried. Tone is regarded as the father of Irish republicanism. Although he did not say he would scrap the accord, the speech amounted to the strongest attack for some time on the Anglo-Irish agreement by Mr Hanghey.

Blow to plan for inner-city

task force

By Anthony Moreton, Regional Affairs Editor

THE GOVERNMENT'S plan to set

up a National Task Force in con-

those it will not get anywhere."

As a result, Sir Colin Corn

Sir Nigel believes that to succeed, a national body needs some fi-

Mineworkers' union 'faces £2m deficit'

BY PHILIP BASSET AND CHARLES

THE NATIONAL Union of Mine-workers faces its most serious fi-nancial crisis since it inception, with its deficit for 1986 likely to top £2m unless drastic action is taken to restore the NUM's finances, an

internal union report reveals. The report drawn up for a recent meeting of the NUM's national executive says: "The extent of the pro-jected deficit is horrendous, and the National Union is rapidly heading

Unless action is taken to shore up the union's finances then "the union's ability to operate is threat-The paper shows that the union is ing a £250,000 overdraft with

towards a disastrous situation.

the Co-operative Bank, and cannot continue to pay normal bills or neet outstanding commitments without increasing the overdraft.
The union is four months in arrears with its contribution to its staff superannuation fund. "Unless

scheme could be in very serious difficulties." the human rights proposal.

Some of the venom of Mr Hanghey's remarks can be put down to the
occasion. He was speaking at an auoffset by four areas which made a

positive contribution of £119,000. The areas collect money from ning expenses as well as contributing to the national union's funds.

The report says that the main reduce costs. short-term pressure on the union's A voluntary redundancy scheme funds was the 1984/5 miners strike. Should be introduced to substantial-Expenditure of £15.6m outstripped income of £11.4m between January

However, union finances have al-so been withered by redundancies, and the establishment of the break-away Union of Democratic Mineworkers. The union's membership ship has fallen from 182,000 in 1986 to around 116,000 in April 1988. The NUM affiliated to this year's Trades Union Congress with a claimed membership of 135,306.

The growing role of homes pay-ments in miners' carnings have also hit contributions to the union, as contibutions are calculated on the basic wage of the lowest grade of surface worker, excluding bonus payments. The report says the increasing share of miners earnings made up by bonus payments has led to a loss of contributions income of around 40 per cent.

This is the main factor moderate action is taken the superammation ing the union's finances, the report says. It outlines a number of options to increase contributions sub stantially. Under the most radial would more than double to between £1.80 - £1.90p per week.

The report says the staffing costs of the union's area offices are much

Stockbroker defends **USM** performance

AN assumption that shares in the from 18 to 20 before mid-1985 to 11 small companies quoted on the United Securities Market (USM) unJames Capel has produced an altider perform those quoted on the Stock Exchange has been Contest-

junction with the private sector to undertake inner-city development alongside local councils has been Since its creation in November severely damaged by the resigna-tion of the proposed chairman, Sir Nigel Broackes. 1980 the USM has, according to the USM has compiled by Data-stream, under performed the FT. All Share Index by 50 per cent. In that period the USM Index has risen by just 30 per cent, compared with a considerable potential for investment in small companies," said Mr. Sir Nigel, chairman of the large property developing concern Trafal-gar House, said: I have turned down the project because the Govrise of 155 per cent for the FT All ernment has refused to give the body the necessary powers. Without Share Index.

In a report on small companies James Capel argues that the USM Index has been artifically depressed by three factors: by the loss of the junior market's

nance from the government and powers of compulsory purchase. Mr Nicholas Ridley, Environment Seclarger, more active stocks to the main market 61 USM companies have graduated to a full listing since November 1980.

• by the large number of companies in the troubled oil and technology restores on the USM 213 per ogy sectors on the USM: 21.3 per cent of the USM Index is composed chairman of Redland, who led the original consortium that put the idea up, has taken back the leaderof technology stocks and 5 per cent

James Capel has produced an alt ernative to the Datastream USM Index which allows for these depressive factors. The James Capel statistics indicate that, far from un-der-performing the FT All Share In-

ment in small companies," said Mr Neil Blackley, joint head of small companies researth at James

"The average p/e ratios of USM new issues has fallen significantly since the middle of 1985 and we be-

Publication of this research, to report entitled Portfolio, marks the beginning of a concerted effort by James Capel to establish itself as a force in the small companies sector.

ship. It is believed that the Task force is now engaged in a desperate attempt to find even one town where

of oil stocks, compared to 45 and 1.1
per cent for the FT All Share.

by the fall in prosective price/ uncertainty for the smaller compa-nies quoted on the stock market earnings ratios for USM companies

lieve that many of the companies quoted on the USM are undervalued."

lts move towards small compa-nies coincides with a period of great

TRADERS TRY OUT COMPUTER SYSTEM

Stamping on Big Bang's bugs

Many were there in their smart day. It had been, they all agreed: "a learning experience". For some, a confirmation their systems were in good order, for others, a qualified success of the new markets after cheerfully "even if one or two of success indicating where work remained to be done.

Mr George

new dealing rooms ghied to computers screens from early morning until late evening. The post mortisms regulation, on October 27. The said, had been to unearth such unstanted as soon as the computers. were switched off and, in some bers until Thursday hight to pass reported almost 30 problems in the firms, carried on through yester. Successful operation of first lew hours of trading but all day. It had been, they all agreed: a Seag, which connects the exchange learning experience. For some, a and its members in a single infor-

Mr George Hayter, director of in-

THE SUN shone unnearonably brightly in the City of London on Saturday, but the traders and technicians gathered there to test the Stock Exchange's all-important change Automated Quotations), in Sean had gone unexpectedly off the state of t new computerised market informs put and change their prices and realt for four minutes early in the day tion system. Seaq, saw little of it.

Many were there in their smart

Market makers unable to meet fault.

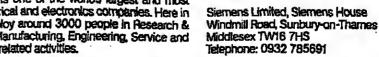
imagine a single communications system that can carry voice, data, text, graphics and pictures. Known as Integrated Services Digital Network, or ISDN, it will soon become a reality.

Siemens have brought it that much neater with the world's first range of programmable, highperformance ISDN chips.

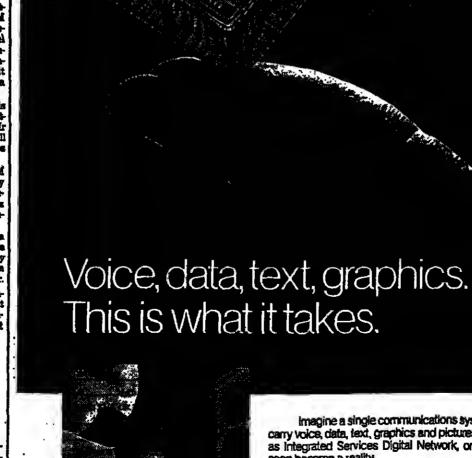
These highly versatile integrated circuits provide the flexibility, reliability and modularity required for the advanced telecommunication networks of today and

Siemens is one of the world's largest and most Innovative electrical and electronics companies. Here in the UK we employ around 3000 people in Research & Development, Manufacturing, Engineering, Service and

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Decline of sterling forces IBM to increase prices

BY TERRY DODSWORTH

THE DECLINE of the pound in recreases in the UK have been linked ternational computer group, to take the unusual step of raising prices on its large mainframe computers by up to 6 per cent in the UK mar-

The move is apparently aimed at reducing a flood of orders from continental customers who have been buying their IBM mainframes in the UK to take advantage of the growing currency differentials in

Executives in the computer lea-sing business say the effective cost of buying some computer models in the UK has been as much as 20 per cent lower for customers in strong currency markets, such as West

"Given that the models can cost between £1m and £5m, the fall in the pound in the last three months has made it a very attractive proposition for large companies to buy their computers in the UK, said ECS, the French-based computer

asing group.

IBM has declined to comment on the cross-border ordering pattern that has emerged on its products in Europe, or its reasons for wanting to bill revenues in continental cur-

cent months has forced IBM, the into decreases in some European countries to "reflect currency move ments over the past few months."

All the price adjustments are on the 3090 range known colloquially as Sierras, and the most powerful machines in the IBM product line. In the UK, the smaller 150 and 180 models will rise in price by 6 per cent while the larger model 200 and 400 will increase by 3 per cent.

Price cuts of between 7 per cent and 9 per cent have been announced in Switzerland, and there will also be reductions in Austria. Germany, the Netherlands and Belgium. Prices in France are remain-

The increases in the UK have caused some surprise in the industry, despite a previous currency-re-lated rise in February 1985, because the general tendency is for prices on existing models to decline. Indeed, earlier this year, IBM cut

prices on the Sierra range in Brit-ain, apparently to stimulate de-Industry executives say, how ever, that the cross-border trade in

the Sierra range has become excep-tionally brisk in the past few rencies rather than sterling.

But it says that the price inUK and West Germany.

Call for more women in top roles

By Hazel Duffy

MORE WOMEN in boardrooms and public positions of responsibility will be the theme of a conference to be hald later this month, organised by the Institute of Directors (IOD).

The conference, which will be attended by more than 100 women executives, aims to advise them on how to put themselves forward for the boardroom and public sector bodies. These areas were identified at an earlier IOD debate as those where women are most under-represented. Although women would seem increasingly to be holding senior positions, official statistics showed a drop in the number hold-ing managerial positions between 1975 and 1985 from 9.7 per cent to

6.2 per cent.
Only eight women hold director ships in the top 100 companies in Britain, three of them non-executive. Although 20 per cent of public appointments are held by women, few are at a senior level.

The conference, on October 24 will be addressed by senior women from the financial and manufactur ing sectors, as well as Mr David Trippier, minister for small busi-nesses, and Mr Bryan Nicholson, chairman of the Manpower Ser-

Power station deal may hold clue to privatisation policy

BY MAURICE SAMUELSON

AN IMPORTANT signal of the Government's plans to privatise the man of the Central Electricity Gen-UK's electricity industry is expected at the case and that af-

Two private consortia are competing with each other, and against the state-owned Northern Ireland Electricity Service (NIES), for the nite. or low calorific coal. Lignite's cheapness means the

plant could, theoretically, supply Ul-ster's cheapest electricity, 90 per cent of which is still oil generated. The Conservative Party strongly re-affirmed its privatication ambi-tions at its conference last week.

And this has led to a growing belief in Belfast that the scheme will be used as a launching ped for priva-tising the electricity supply indus-try in the UK as a whole if it wins the next election. For the NIES and the power station unions, the choice of who will operate the plant will be more signi-

ficant than who is to build it. If it is to be run privately, it would mark the first major breach in the public monopoly of the UK electricity supply industry.

Speculation about electricity privated than a possible of the second of the se

ed to emerge shortly over its atti-tude to a £500m power station pro-ject in Northern Ireland. ter the sale of the gas industry it would be "the logic of the Govern-ment's position" to denationalise electricity as well.

In a statement in last week's Electrical Review, a Belfast governright to operate as well as build a would go to whoever will provide a 450 MW station fuelled by local lig-package which will deliver the cheapest power to the consumer, and has the technical capacity to undertake the construction and op-

If private interests landed the construction contract the Government would depict this as part of its policy of cutting public spending, a point it frequently stresses over fi-nancing of the Channel Tunnel and other large investments.

The NIES has submitted proposals to build and operate the station. With the private tenders due to be presented by November 19, the Government could reach a decision

to be run privately, it would mark
the first major breach in the public
monopoly of the UK electricity supply industry.

Speculation about electricity privation and specified privately private consortia are
Loughside Power, led by Costain
and Foster Wheeler, and Antrim
Power, led by the US Bechtel Corporation, and with GEC Turbine
attisation has persisted since last
Generators as a minor partner.

Bus rules boost for Freight Rover

By John Griffiths

FREIGHT ROVER has received ,000 orders for a small bus chassis developed this year in anticu of UK bus service deregulation. Deregulation will allow operators to compete for bus service licences. Based on the Sherpa van, the chassis-cowl unit, comprising chassis, drive-train and a front cowl to protect the driver during delivery, has been in production at Freight Bover's Washwood Heath, Bir-

mingham, plant.
Deliveries have been mada to specialist body builders, who have been constructing 16-18 seat bus bodies on the chassis for sale to, or for, existing and would-be bus op-

Freight Rover said orders had been placed throughout the coun-try. It is understood that most are for use by the National Bus compa

understood the have been to Optare, formerly part of Leyland Bus Dormobile, Rootes of Maidstone and Carlyle of Birmingham. All the chassis ordered from Freight Rover so far are expected to be in use by the end of the year. Most of the comp

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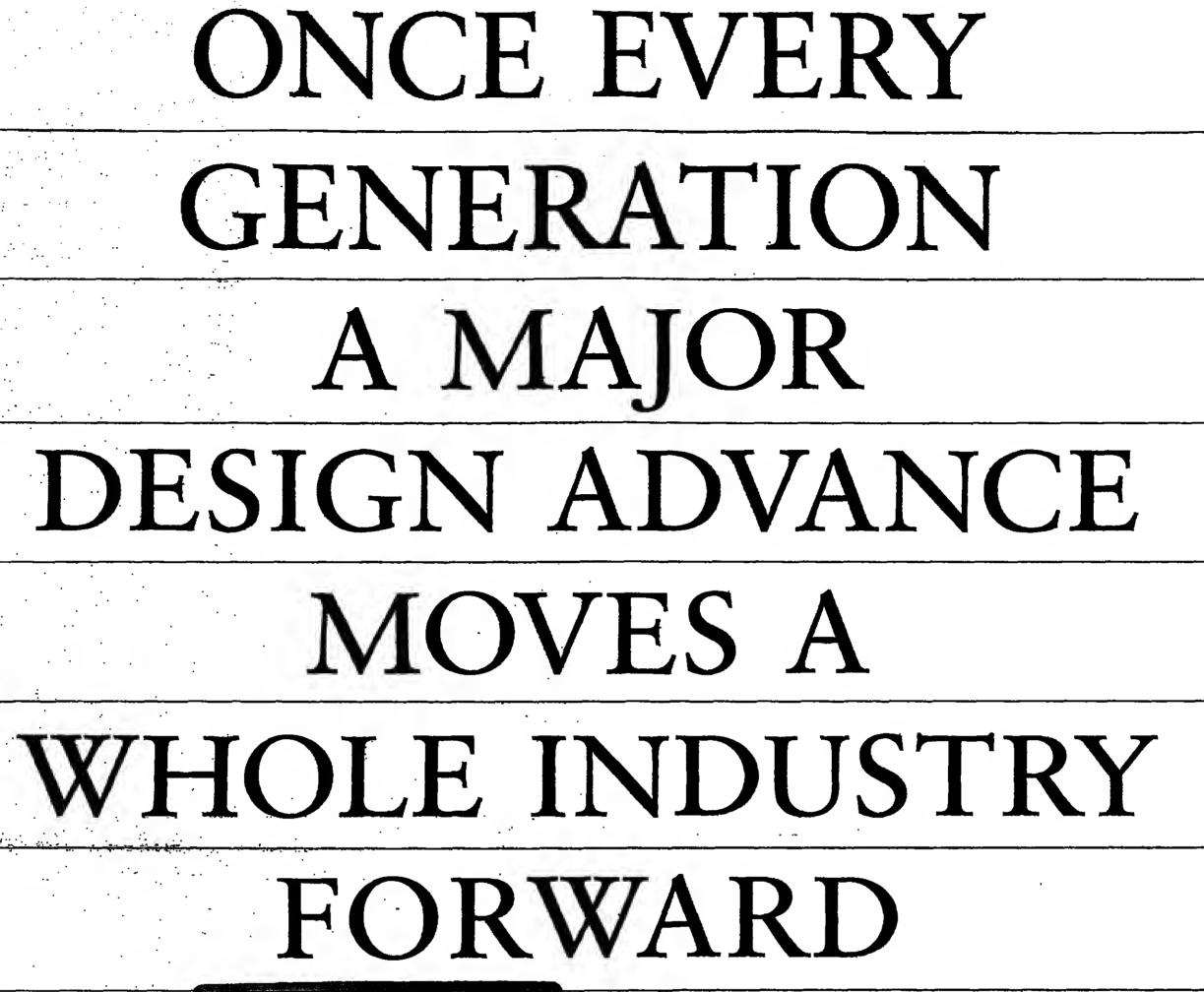
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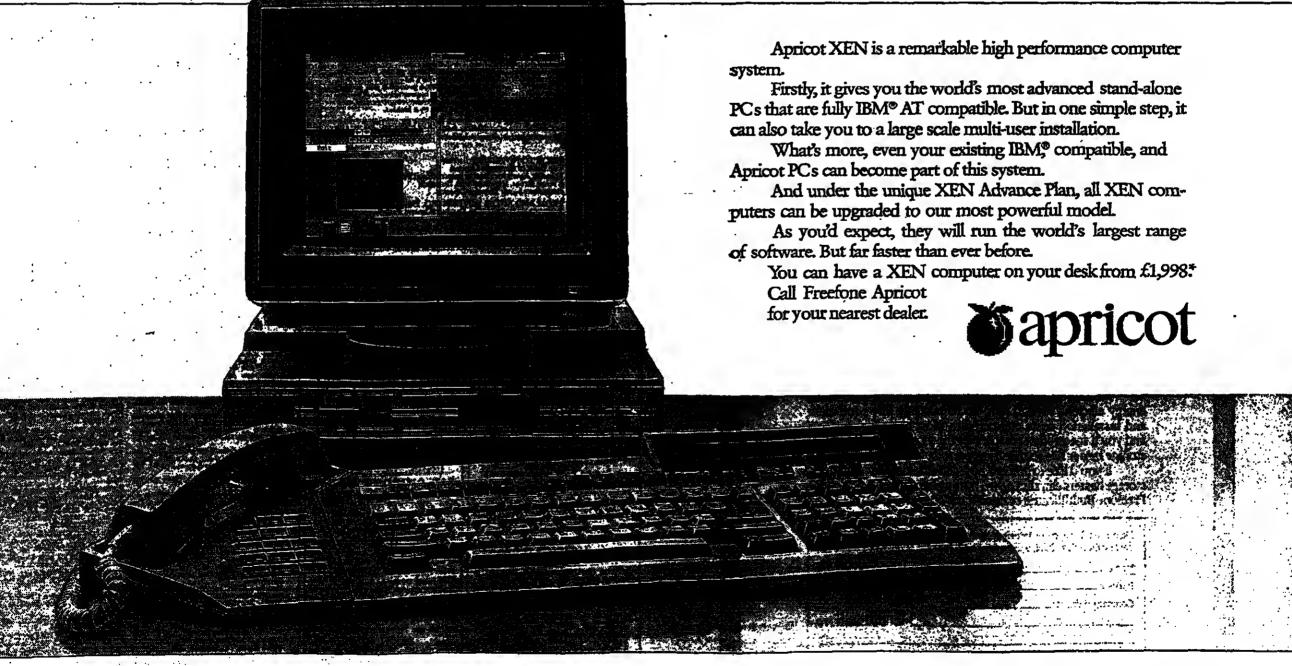
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DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

DEND & INTEREST PAYMENTS

Applevard 7,75p
Aryril 5.1p
Aryril 5.1p
Balcock intel 4p
Conder 1.5p
Dale Electric Intel 1.5p
Dwek 5.5p
Evelty and General 0.5p
Ledies Fride 0.5p

FRIDAY OCTOBER 17
COMPANY NOTICES—
04, 20, Feachurch Street, EC, 12,30
haldon Joses, Royal Rath, and West
Sageground, Skepton Meliet, Someraet, BOARD MEETINGS-

ta (Province of) 113gcLs 2019

Trade fairs and exhibitions: UK

October 15-17 National Aid for the Disabled Exhibitions (0892 44027) Alexandra Palace British Moter Show (trade only 15-17) (01-235 7000)

NEC, Birmingham October 17-19 International Property and Time-sharing exhibition (03-387 7878) Cumberland Hotel, W1 October 21-23

International Financial Services International riminical Services
and Technology Exhibition (01940 8065) Burbican Centre
October 21-24 International Woodworking
London Business Equipment
Show (01-405 6233) Earls Court
October 28-39

Exhibition Centre, Bristol
November 9-13
International Woodworking
Industries Exhibition — WOODMEX (01-488 1951)
NEC, Birmingham

Overseas

October 19-27
International Equipment and Services fer Hotels Exhibition—
EQUIP HOTEL (01-439 3964)
Paris

October 28-24 International Market of Sub-contracting Exhibition MIDEST (01-439 3964) Lyon

(01-439 3964)

Octeber 21.25
International Forestry, Timber
Processing and Woodworking

National Inventions MEX
(01-439 0501)

November 6-9
Hong Kong Trade Fair—INDUSTRY (0206 45121) Hong Kong

Chatham House
October 22-23
The FT City Financial Series:
Four half-day seminars on Technology, Marketing Security and Whither the Building Societies? (01-621 1355)
Barber-Surgeon's Hall, EC2
October 23

Confederation of British Industry: National Conference 1986
(01-379 7400)
Bournemouth International Conference Centre
FT Conferences: European Business Forum—Italy and the international economy (01-621 1355)
Rame

Instrumentation Conference and Exhibition — TEST & TRANS-DUCER (0822 4871) Wembley Conference Centre October 29-November 2

International Bike Show (01-385 October 36-November 2 London Money Show — MONEY (01-948 5166). Olympia October 30-November 2
Business Holiday and Travel
Shew (0272 215206)
Exhibition Centre, Bristol

October 18-21 Exhibition — WOODWORKING International Office Trade Fair—ORGATECHNIK (01-930 7251) Cologne October 28-36 Cologne October 20-30
Trade Fair fer Clething Textiles -- INTERSTOFF (01-734
0543)
Frankfurt

Business and Management Conferences

October 14

The Royal Institute of International Affairs: Energy trends and centrol of energy costs (01-930 2233) Chatham House, SWI

October 27-28

Philadelphia Stock Exchange:

0543) Frankius, October 31-November 2 Sking and Winter Tourism Exhibition (01-486 1951) Helslaki

November 4-12 National Inventions

and centrol of energy costs (01930 2233) Chatham House, SWI
October 15-16
FT Conferences, Electroeic recy eptions symposium (01-606 inancial services (01-621 1355)
Hotel Inter-Continental, WI
October 15-17
British Consultants Bureau

Hotel Inter-Continental, WI
October 15-17
British Consultants Bureau:
World development—the role of
consultancy into the 21st century
(073085 711) London Bilton, WI
October 15-16
Club de Bruxelles: The future
of television in Europe (Brussels
771-9890) Brussels
771-9890) Brussels
The Economist Conference Unit:
Advanced manufacturing—making it work, making it pay (01839 7000)

Philadelphia
October 29
Arthur Yeung Acquisitiens and
disposals (0272 290808) Bristol
November 24
Fath fast: International floriculture semioar (02568 78755)
Hotel Krasnonolsky, Amsterdam
November 3-4
FT Conferences: The City after
the Financial Services Act (01621 1355)
Hotel Inter-Continental, WI
November 5-6
Club de Bruxelles: The feture

Advanced manufacturing—making it work, making it pay (01-839 7000)

Intercontinental Hotel, Geneva October 21

FT Conferences: Developing the Glebal Market for Equities (01-821 1355)

Merchant Taylors' Hall, EC2
October 22

The Royal Institute of International Affairs: Tradeable information — Europe against the world (01-920 2233)

October 22-23

Chatham House
October 22-23

The FT City Financial Series: Four half-day seminars on Tech-

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

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By Order of Manag Charles T.M. Collis

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THE COMPANIES ACTS 1946 TO 1985

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By Order of the Board
D. W. KEENS, FCA.
Scorphy.

Clubs

THE ROYAL BANK of CANADA US\$350,000,000 FLOATING RATE DEBENTURES DUE 2005 In accordance with the terms and conditions of the Debentures, the interest rate for the period October 15, 1986 to November 17th, 1986 has been fixed at 515 per cent per annum.

annum.
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COMMERZBANK 302

Shareholders are advised that the new shares resulting from the Share Capital Increase 1986 of Commerciank Aktienges elischaft, the subscription period for which was 3rd February to 18th February, 1986 (inclusive), were admitted to the Official List on 10th October, 1986. The Listing Particulars relating to the listing of the new shares have been inserted into the Extel System and are also available at the offices of

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13th October, 1986

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Intermezzo/Theatre Royal, Glasgow

Max Loppert

Intermezzo, which joined the with a vengeance. Most of the a perfect cameo. The conductor, cottish Opera repertory on music sounded like inexperily Stephen Barlow, is an expeririday, is the third Glynde reheated Straussian leftovers—enced Glyndebourne Straussian; Scottish Opera repertory on Friday, is the third Glynde-bourne production by John Cox to bave been borrowed for Scottish purposes—the other two were Idomeneo and Scottish purposes—the other two were Idomeneo and Capriccio. As this performance was hardly more successful than its Cox predecessors, perhaps the policy of taking on intricate festival operas in high-flown festival productions not well suited to company usage should now be folded up for good.

The 1974 Glyndebourne show had, of course, the inestimable

hibitions: Li

ent Conferen

had, of course, the inestimable advantages of Elisabeth Sönderström at her most gloriously theatrical, John Pritchard conducting the LPO, a brilliant new translation by Andrew Porter, and a long period of rehearsal in which to shine up reneared in which to shine up every elegant numee and witty detail of the Cox staging and the Martin Battersby sets and costumes. This was one of Glyndebourne's highest Strams achievements—a work long held to be alight, marginal, and musically second rate, and here revealed as a quite special kind of opera, a Konservations-stick on domestic themes of revealed as a quite special kind of opera, a Rossersationsstick on domestic themes of close hiographical relevance to the Strauss household that is also a tender and truthful operatic study of the marital urbane yet candid, the diction state. (At the last Glyndebourne crevival, in 1983, with Felicity lost as Christine Storch and Gastav Ruhn as conductor, the least was almost repeated.)

But on Friday all my own doubter, as the maid, provides flowers, as the maid, provides

England seres of parkishd, lawn, formal gardens, wood—is the summer home of the Boston Symphony. Ten weekends of

Symphony. Ten weekends of erchestral concerts (on Fridays, Saturdays and Sundays) are given in the fan-shaped opensided Music Shed, holding over 5,000 while perhaps 10,000 more people gather on the lawns around, to which the music is carried by loudspeakers. There's

a 1.000-seat theatre, its back wall open to another lawn, where Peter Grimes had its American premiere; it's used now for midweek chamber reci-

tals and the contemporary music concerts. In a wooden Chamber Music Hall, open en two sides; Phyllis Curtin's morning geminars are famous. Other buildings in the park are used for the more artificial of

used for the many activities of the Tanglewood Music Centre, whose Fellows are young instru-mentalists, singers, conductors, and composers learning their

The heart of the Tanglewood Festival is a week of contem-porary music performed by the Fellows. For years it was known

as the Fromm Music Week; Gunther Schuller the presiding genius. Paul Fromm has now

Aspen, Colorado; Leon Fleisher directs the Center, and this

year's programmes were chosen

(and mostly conducted) by

Oliver Knussen, a Tanglewood Fellow in 1970 (when he was

18) and this year's composer-in-residence. The week began with

his Fanjares for Tanglewood, completed the day before-hright calls from three brass groups, with bells and gongs. The premier was followed by a deuxieme, and then the first

American performance of Knus-

Jonathan Lloyd's Feuding
Fiddles arrived fresh from the
Almeida Festival—a lively
piece, composed as if for two
country fiddlers who also know

the Berg concerto, but a shade too politely played by Marta

Szłubowska and Sara Perkins. Robert Saxton'a Concerto for

Orchestra hed its first perform-

ance since the Prom premiere, two years ago, and Knussen's young players sounded more of the details making up its waves of mystic radiance than the

sen's Coursing.

W 25

L ENTINEE

A 10

though it was elever of him to provide the only really fresh bit, the glowing contabile duet of reconciliation, right at the end, thus leaving the midience member with a genuine feeling

member with a genuine feeling of satisfaction to make np for all those previous measured quarts d'heure. The beliance of tiny scene and massive orchestral interlude seemed once again distinctly unconfortable (perhaps that was because Friday's audience chattered loudly through almost every interlude). And, most awkward doubt of all, the playing of Christine was insufficiently vivid to spothe the nagging invitation of having to spend a whole evening with such a deeply unsympathetic, mantpulative, and shallow central character.

This is not to say that the

performance was entirely with-out good points. Alan Opte, in the rule of the compassi-husband, has done few finer things in his career: the voice

Fanfare for Tanglewood

Poul Ruders's Monhatton Abstraction, Louis Andriessen's

Symphony for Open Strings produced remarkable new sounds and effects with those limited means. It's impossible to dislike Torn Takemitsu's music, but had to feel strongly in any year above his reiner.

music, but had to feel strongly in any way about his wispy, delicate. "intuitive" scores; Koussen, evidently a champion, billed Rocking Mirror Daybreak, Water-Ways, Dream/Window, and From for beyond Caryamthesiums and November Fog. In contrast, on a bill with the second, was Heme's new Fundango, soprawa, bosse del Padat' Autonio Soler—an expherant, generous, exhilarating big-orchestra piece, destined for popularity.

Orange had a like verve and

tenergy. Torke, born in 1961, was the youngest of the American composers played. Estatic Orange is 12 minutes of motoperpetuo E-mixolydian, based

perpetuo E-mirolydian, based on a single bright tune that dances through the glittering texture, breaks into motifs and sparkling little canons, while the music passes through kalel-doscopic episodes: "Absinthe and apricot," "Terra cotta," "Unripe pumpkin." (Boosey publishes a study score.) Torke is an eriginal: puzzling, rather as Linyd and Aren Part are to

as Lloyd and Arvo Part are, to anyone bored by Minimalism, glutted by neo-Romantic capitu-lations, yet charmed or stirred

by music so bravely untroubled, almost naive, in its basic assumptions. An admirer of, say, Birtwistle's Earth Dances or of Elliott Carter's Penthode (which was played at the first concert) must feel inconsistent when praising Ecstatic Orange, or Henze's Fondango, But there it is.

Michael Torke's Ecstatic own Oily! Oily! "-for the broasge had a like verve and thapping young composer-

popularity.

his control of the conversa-tional ebb and flow so crucial in this work is admirable.

But on Friday the orchestral playing was often raw— Strauss's string parts are tricky,

no question, but they shouldn't sound it quite so obviously. Among the smaller roles (all of them registered with delicieus sharpness at Glynde-bourne), there were dull contributions—the game of Skat went flat, in spite of the continuing pleasure to be had from the ingenuity of the Porter translation. The stage management of the whole performance left a lot to be desired; the Battersby sets appeared not to fit the stage very well. And in her British debut the

And in her British debut the American soprano Beveriy Margan seemed to lack the magnetism required to transform dislike of Christine into sympathy and fascination. She sings clearly and with considerable musicality, in a lightich contract with the second of the side of the second o ish soprano with an unfortunate tendency to turn brittle under tendency to turn brittle under pressure. Her words are, of all on stage, the least clear (Strauss's admonitions on the subject in his latermann foreword need to be urgently taken to heart). But, more than this, she gives off a feeling of detachment, of holding back, that simply won't do in this rolationally won't do in this rolational won't all the rolational won't do in this r

overwrought slow movements.

BBC players had done. Alexa Zirbet rose hravely to the challenge of Simon Bainbridge's and Concertante in moto perpetuo. Britten's Third String Quartet and Jonathan Harvey's Mortnos plango, vivos voco—a hit of the three electro-accustic recitals, gathering work from IRCAM. Columbia-Princeton, Stanford, and MIT—completed the British contribution.

Danish "new simplicity" was happily represented by Hans Abrahamsen's Möchenbilder and Poul R u d e r s's Monhatton Abstruction, Louis Andriessen's overwrought slow movements.

Architects like Erith, and a few other survivors, understand the whole process of simple unpretentions buildings. Like Lutyens, be learned from master huliders the value of

Architecture/Colin Amery

Two classicists

St Peter's and the Taj Mahal."

Not many architects are sufficiently interested in classicism to study every page of Palladio for an hour because that "is the only way to learn anything."

Raymond Erith, who died in 1873, was the architect with such an intense knowledge of classicism that he and his partner Quinlan Terry were asked to design the Baha'i temple in Dran that would, if it had been built, been one of the wonders of the world. By the end of his life Raymond Erith was beet known for his careful domestic classicism and his superbly executed drawings that annually lifted the visual quality of the Royal Academy's architecture room. Hs was, of course, the architect responsible for the repair and rebuilding of Nos. 10, 11, and 12 Downing Street, and he made a masterly job of it.

Some of Erith's drawings were recently lent for one week

Some of Erith's drawings were recently lent for one week to the Hobbouse Gallery in London but his work is best te the Hobbouse Gallery in London but his work is best assessed in the very thorough and fascinating book by his daughter Lucy Archer, which has just been made more widely available in paperback (Roymond Erith, Architect, by Lucy Archer, The Cygnet Press, paperback, £14.50). Whatever you think of the intellectual justifications for the continuation of classicism, this book is an insight into the mind of an architect who was always concerned that, "In the enthusiasm generated by war, discovery, invention and industrialisation, the means of producing real architecture was forgotten."

Erith found it hard to define what he called "the essential quality" of architecture but it was something to be found from the study of older vermecular buildings and in a slow and careful study of classical precedents.

Architects like Erith, and a

overwrought slow movements. The policy of "compartmentalising" contemporary musio—at a also at the Edinburgh Festival this year—is sometimes questioned. But there is much to be said for playing such programmes to an eager, interested not insubstantial, and ateady andience. (Through the 30 mass-andience weekend programmes in the Shed, just Bernstein's Serenade, Kuussen's Music for a Puppet Court, and Part's Collage on B.A.C.H. were scattered.) I takioged Empisents programmes as at Edinburgh I enjoyed Alexander Goehr's. After the last of them (Torke, Saxton, Tahemitsu, Enders) the young orchestra set up a cheer of its master hullders the value of the highest standards for the simplest, smallest building. Erith's design for a factory, warehouse and offices for a food manufacturer in Inswich— which was never built—showed a Soane-like skill for enhancing a simple functional edifice. In the library for Lady Marsenet

Not many architects are as The Folly that Erith built asked to design a temple in for Mrs Victor Willis graces the Persia to be "e cross between cover of this book and remains St Peter's and the Taj Mahal." one of his most endearing ose of his most endearing buildings. The brilliant rebuildings of Jack Straw's Castle on Hampstead Heath is perhaps Exith's best known wark—with a Gothic sparkle that makes it hard to believe that it was built in the 1866s

a Gothic sparkle that makes it hard to believe that it was built in the 1960s.

In his daughter's book we are able to read many of Erith's thoughts as he jotted them down. It was sed that he never managed to write the book on classical architecture that he planned—but in many ways this book, showing as it does his architecture alongside his thoughts, makes an agreeably rounded biography.

Erith's pupil, partner and successor to his practice is Quinilan Terry. He has just been commemorated by a long and handsome monograph (Quinilan Terry, by Clive Asiet, published by Viking, £40) and an exhibition of his drawings (at Anthony Monid, 173 New Bond Street, London WI) until the end of October. Twenty large drawings look very fine in Mould's elegant first-floor gallery. The drawings inclinde some of the great Baha'! Tample which Terry and Erith worked on together before Erith's death.

The exhibition provides a good opportunity to see the proposals that are now under construction for the riverside at Richmond by Hasiemere Estates—the largest commercial scheme Terry has so far under-

continue the sort of classicism that Erith produced hut some-bow his work is less disciplined and often lifeless. What is it about the classical language that it can flourish and grow in the right hands and become right hadded and become stagmant in others? If Quinlan Terry had been practising as an Edwardian architect would we have looked twice at his

work? He is ct interest because he He is of interest because he is a prosyletising classicist, he draws well and works in an Erith way, close to the builders and his materials. He is practieal and careful, but often sadly dull. The position of classicism today is more com-plicated than the elegant drawings would have us believe. Classicism is not a style that a Some-like skill for enhancing a simple functional edifice. In these troubled architectural his library for Lady Margaret Hall at Oxford the scaled and nitarior is perfectly scaled and lit for both books and people. The limestone oval tower known

Stephen Petronio/The Place

Clement Crisp

Dance Umbrella has opened. Pleas's heart are a couple of and on Thursday showed us the ducts which are of rare merit; first artist to be sheltered under they look like the classic pas it this year: Stephen Petronio, de deux of post-modernism, with with his company of five traditional attitudes inverted or dancers. New York-based, Mr. fragmentst, yet sustaining them Petronio presents himself in is a wild and perceptible logic uncompromising terms with the and a choreographic integrity initial item in his programme. that rejects, or recasts, the retained, with feet firmly rooted on double work. one spot, he created a sequence of angular, spatic poses, like a man trying to release himself from some invisible but constricting garment. It may sound stricting garment, it may sound wilful when thus described; its effect, though, is to speak of a forceful choreographic imagin-ation, and this impression is confirmed in the company dance which follows.

Albert, buss-baritons, Evelyn Gler-nie, percussion, and Alan Brind – winner of the EBC Young Musician of the Year 1965 – violin: Weinberg-er, Craston, Gerstwin, Saint-Saens, Britten. Barbican Hall (Mon) 488 8891.

(636 5891).

Minerannia Orchestra, conductor
Andrew Shu

(638 5691).

Falkarmonia Orchestra, conductor Chaseppe Sinopoli, Andrew Shulman celler Wagner, Haydn, Egar.

Royal Fastival Hall (Mon) (2283191)

Hallé Orchestra, conductor Stanishaw Skrowaczewski, Malcolm Frager piann: Beethoven, Shostahovich, Festivel Hall (Tue)

Young Municians Symphony Orches-tra, conductor James Blair, Sasan McCuBoch soprenet Strauss, Mah-ler, Festival Hali (Thur)

METHERI ANDS

Chally conducts, with Jasp van Zweden, violin: Bossini, Paganini,

gn, Janack, Beethoven (Wed)

(31354).

The Hague, Congresgeborw: The
Hague Philharmonic conducted by
Hans Youk, with Nelly Stohnistva,
violin. Arringa, Mendelssohn, Beethoven (Thur) (5480 09).

Schewasingen, Circus Theatre. Jubilee
context by the Hague Philharmonic
Orchestra and Choir conducted by
Jo Ivens: Honegger, Brunkner (Tue)
(55850).

edan, Concertgebouw, Ricardo

as well as easettes and periodi-cals will be housed in the Waterlee Room. The move should take place in about six months, time. The Sixth Heaven, which dates "Sink the Belgrano!" moves to the Mermaid concert) must feel inconsistent Steven Berkoff's Sink the when praising Ecstatic Orange, Belgrano! is to transfer from or Henze's Fandango, But there the Half Moon Theatre to the it is.

Yehudi Wyner's thoughtful, from October 30.

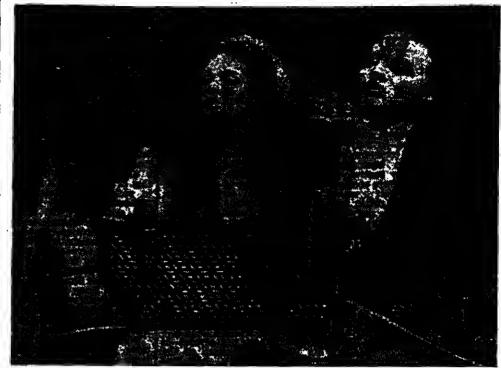
The most extended offering of the evening is Well-In, which dates from this year, and which repeats in more aggressive form the ideas already exposed. There is a score that pounds and roars, reggae-insistent and deafening, and it impels the dancers with sledge-hammer blows of noise that are matched by ferocious and angry blasts of physical energy, The Sixth Heaven, which dates from last year, encapsulates the Petronio style with rigorous the Petronio style with rigorous among the performers, and by threat games that are played among the performers and angel. Crawford among the performers and angel. Crawford among the performers and some succendrate composers.

I am not going to use this opening the world make of the lake to perfection.

I am not going to use this opening the performers and angel. Crawford among the per

The Phantom of the Opera/Her Majesty's

Michael Coveney



Sarah Brightman and Michael Crawford

undraped and the gilded Opers proscenium revealed. A riotously coleurful dress rehearsal of "Hamibal" is in progress as two new managers survey the scene. An elephant come on. The chorus girl Christine Dasé is part of the background to Carietta's aria, which sounds Meyerbeerish. It is a stunning opening sequence in an evening that restores sex and romance to the modern musical, with a full quota of pulsating melodramtic tension as Christine is possesed by the opera ghost, abducted to

by the epera ghost, abducted to his subterranean lake and torn between the needs of a freak and the loyalty of her childhood sweetheart Baoul, the Vicomte de Chagny.

The music maintains several linking motiffs and miraculously

inking motific and miraculously covers a range of 18th and late 18th century operatic pastiche and lushly orchestrated ballad owing much to Lloyd Webber's admired Richard Rodgers while preserving its own distinct, idiosyncratic sound.

The composer worked in the first place with librettist Richard Richard Stilgoe and the distancing prologue reflects their return to the Castan Leroux novel; the key paint is that Christine, devoted to the memory of her dead munician of the memory of her dead munician father, receives the phantom at first as ber father's messenger, his angel of music, and misreads that function as a lover's

overture. In Leroux, Reoul overheave their latest encounter in a dressing room. That scene dressing room. That scene hecomes the show's sensational launching pad, Michael Crawford's half-masked phantom materialising in the mirror and leading Sarah Brightman's entranced Christine to his candle-lit lake. The title number, with its panophy of descending rock chords and augmented seconds, bursts open. The couple disappear in a trap and then (thanks to sleight-of-band doubling) emerge in flight at the top of the prescenting—the stage is now the sewer, the gondels the bridal bed, the great portcullie, a barrier

great portcullis, a barrier is nothing flashy or grogreat portcullis, a barrier in a beautiful white mask has
against the world and its opera
managers, prima domas and
second-rate composers,
I am not solomet.

October 10-16

lead. After the disruption of the buffs parody "Il muto," has fellews Raoul and Christine on to the rooftops in one of Maria Bjornson's Opéra gilded decorations; withent spoiling your fun, this is a moment of throat-grahbing excitement complementary to the initial raising of the chandelier which crashes from above the centre of the stalls to round off act

of the stalls to round off act The stag picture is one of continual movement and speed, but nothing is fussy or clumsy in the changes. Director Harold Prince has arranged it all beautifully, moving the characters around and through hiss Bjornson's luxuriant but defly manageable swags, curtains and, for the opening Act Two masked ball, a recreation of the opening and the characteristics.

tion of the Opera's grand stair-

The Phantom appears here as the Red Death, a detail in Leroux expanded to make a metaphorical point about the instinct to hide one's real face. The structure of the first half is repeated with e gripping complex vocal septet in the managers' effect and e performance of the phantom's own Don Juan opera which he has brought to the ball. This work's ambitious stridency is puncambilious stridency is punc-tuated with a lyrical duet be-tween Christine (who is com-manded to play the lead) and a cowled messenger. The final moments as Christine rips off the mask and the lovers' triangle is resolved in a descent to the lair and an emetional farewell, are almost unbearably moving. You would be well advised to have the Kleenex

handy. This, I have to say, is due not just to the power of the music, which gathers irresistibly, but to the performance of Michael Crawford, reasserting his preeminence as the outstanding star of our musical theatre. There is nothing flashy or gro-

Andrew Loyd Wehber's new musical opens quietly, with an auction of properties at the Paris Opens House: a musical mankey, a broken chandelier. The story of the phantom is alluided to, the furniture undraped and the gided Opers proscentum revealed. A protect of the phantom is open and the gided Opers proscentum revealed. A boxes, warning the managers is a little too lined and wooden repress as two new managers the buffa parody "Il muto," is ally virtuosic and poisonously ally virtuosic and poisonously put-out Carlotta, and from John Savident and David Firth as the new managers and Mary Millar as the dancing mistress Mme

> The work of new lyricist Charles Hart is more than promising. Gillian Lynne has staged the musical numbers with some finesse. The musical direction of Michael Reed is exemplary.

Leroux's Christine shoots to fame as Gounod's Marguerita, but the Faustian diabolic parallels are bere confined to Mr Crawford's engaging and mysterious insinuations. This feast of a musical not only tells a great mythic story, it also restores a sense of experimental joy to the musical theatre and reveals Lloyd Webber to be as adept e romantic operatie com-poser as he has lately been (in his Requiem) a purveyor of full-blooded Orff-ian ecclesiastical permutations. The interest aroused by this score will be intense. Not for the first time, Lloyd Webber, like the phantom himself, keeps you guessing what might bappen next.

Malcolm Arnold's 65th birthday celebrations

The English Chamber Orches The English Chamber Orchestra and Music Society and the Park Lane Group will present a special concert in the Queen Elizabeth Hall to mark composer Malcolm Arnold's 65th birthday on October 21.

The composer will conduct a performance of his Guitar Concerto played hy Julian Bream. Raymond Leppard will conduct the rest of the programme, which includes Malcolm Arnold's Flute Concerto No 2 with Richard Adency, and music by Rodrigo and Rossini.

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Arts Guide

Music

THE TOUR

New York Pisibarasonic (Avery Fisher Hall): Leisiano Berio conducting, Katia; and Marielle Labeque duoyianos, Alco Bennici violin. Berio, Haydn (I'us); Klaus Tennstedt conducting, Alicia de Larrocha piano. Mozart, Bruckner (Thur), Lincoln Center (87, 2024)

Meptin Hall (Goodman House): Bobby shot; and Eliciael Feinstein, piano and singing recital with Jean Morries, instanto-soprano, dancers by Luigi. All Khy Swill programme (I'us); Deeple Kotevakr piano recital. Lowell Leitermann, word premiere), Schumenn, Korevakr, Liezt (Wed); Buston Camerata conducted by Joel Coher, Justini, Care, Tromboncino, Pasimi (Thir), W. 67th (362 5719)

WASHINGTON

Nickianal Symphony (Concert Hall):
Guistinia Herbig conducting Webct: Schullert, Beethoven (Ina);
Mitiglay Rostropovich conducting,
Mexical Toracta pismo. Walker,
Rachmaninov, Dyorak (Thur). Kennedy Conter (254 3176)

CHICAGO

Chicago Symphony (Orchestral Hell): Mark Edder conducting, Emanuel Ax piano. Eigar, Secthoven, Tippett (Thur) (4358111)

Royal Gala Concert with Charles Groves conducting the LSO in sid of the Sace the Children Fund, with Jo

Anne Pickens, soprano, Donnie Ray

Andrew Porter

Arts Council Poetry

Library to move

The Arts Council has decided to move its Poetry Library from its present home at 105 Piccadilly to the Royal Festival Hall, where some 30,000 volumes

Nuclei/Montey: Opera and Bellet/Tuesday. Thesite/Wednes-day. Exhibitions/Francisy. A selective guide to all the Arts ap-

pears each Piday.

TOKYO

Vierna Symphoniker, conducted by Knrt Wöss. Vienness music. NHK Hall (Mon) (403 13 99) Munich Phillmoneofiter, conducted many (2005) 1989 | Marie kan (Wed) (571 1689; 986 6060).

VENNA

Venue Holburg Orchestra conducted by Gest Horbanez, Walters and Eght opera, Konserthaus, (Yuest, Thur) Venue Chamber Orchestra conducted by Philippe Entrement with Wolf-gang Schulz, Inda, Claudin Antonel-it, harp. Mozart, Konserthaus Mo-zart Saal, Mathaes on Sat, Sun.

Zoreden, violin: Rossini, Paganini, Dvorak (Wed, Thur) (718345).
Rotterdam, De Doelen: Frans Brüggen conducting the Royal Conservatory Symphony Crchestra. Rameau, Hayin, Beethoven, (Wed). Recital Hall: Ther Vermeer Quartet of Chicago, Beethoven, Hindemith, Dvorak (Tus) (4142911).
Directs, Vredenburg, Recital Hall: The Vermeer Quartet of Chicago, Arriaga, Janacek, Beethoven (Wed) (315344). Palais des Besser Arts (\$12.30 45); New York Haitem Opera Ensemble in Carmen Jones (Wed): Belgian Na-tional Orchestra conducted by Yurl Abrodovitch with Silvia Marcovici, violità: Glinka, Gistoumov, Dvorak Cherd

Vican: Camera, Camera, (Thur).

(Thur).

Conservateire Repair (5122189): Jean
Claude Vanden Syriden, plane: Heethoven, Litzt, Mineorigaky (Tue).

SPAIN

Madrid's Autumn Festival offers gui-tar concert by Manuel Barrusco to music by Cimarosa, Mozart, Sor, Henne and Granados, Sala Juan de Villamara, Prado Museum (Tub) (488 09 50) ona's International Music Per-

tival: Monday, La Scala Philhar-

monic Orchestra conducted by Carlo Maria Giulini, Brahms. Tuesday: Lieder concert by Peter Schreier (tener), Norman Shetler piano: Beethoven, Schumann. Wed: Cratow Symphony Orchestra and Wansaw National Chorus: Pendisreció's Requiem, Thu: Piano concert by Friedrich Gulda. Palau de la Musica Catalana, Amaden Vives I. (8178982).

Georges Pholesmacher, pianot Lisst. (Mon) Salie Favart (4260611). Orchestre Colonne, conductor Kent Nagano, Jean-Philippe Collard solo-ist: Adams, Lisst, Tchailtovaky ist: Adams, Lasr, Tennisovany (Mon) Salle Pievel (48610830). Joung Franco-Genmu Philharmenic and Montjoie Choir, conductor Jus-tus von Websky: Beethoven (Tue) Salle Played samifor Bate, organ: Metrinett (Tue) (45251516)

TALY

Milen: Teatro alla Scala: Michi Inone conducting flautist Roberto Fabbri-ciani and Tenor Ketth Lewis in Benjamin Britten's Nocturne, Sci pamm Briten's Nocame, Schoen-berg's Five Orchestral Pieces, Join-we's Concerto for Flute and Strings and Stravinsky's Symphony in Three Movements, (Fri). On Mon-day, the violinist Salvatore Accardo day, the violantst Salvanne Accurdo and the plantst Bruho Canino play-ing Richard Strauss's Sonata in D Flat Major, Stravinsky's Diverti-mento, and Carmen Fantacy by P. Sarasats y Navasquez. On Thurs-day, Wolfgang Sawallisch conflocts Dvorak's Karnaval Overture, Hinde-miths Within des Major Instalant mith's Mathis der Maler Symphony and Brahms's 3rd Symphony.

Saleroom/Antony Thorncroft

Busy time in auction rooms

important auctions. Clock collectors are well extered for with good sales at both Sotheby's and Christie's. On Thursday Sotheby's offers eoe of the first clocks to be fitted with a pendulum. These appeared in Holland around 1850 and this Dutch example, simple icon was covered with by Jan van Call, dates from ornate enamel and parcel gilt 1857. It should make over ornate enamel and parcel gilt ornamentation. Febergé is well represented by gold cigarette ease, enamel lockets and an enamel and gold deak clock. Christie's has two good clocks by Tompion; one, a walnut longcase of about 1680 an ebony bracket clock, sent to London from France, has a £20,000 estimate. A walnut longcase from Tompion's successor, George Graham, carries a similar forecast. by Jan van Call, dates from 1657. It should make over \$100,000. All the big names a similar forecast.
The main salerooms make things easy for collectors and

dealers by bunching their auctions, so on Thursday Christie's sells icons and Russian works of art followed by Sotheby's on Friday. Icons remain remarkably cheap and, with the failure of the British Museum to acquire one of the Museum to acquire one of the finest private collections ever likely to appear on the market last year, our national institu-tions are woefully lacking in this important art form. duced around 1 Choicest items at Sotheby's estimated at £500.

After a slow start the sale- are an Itale-Cretan icon of from season gets into full Christ, Man of Sorrows, of the swing this week with a shoal of 15th century, and a Russian important auctions. Clock colicon of the Virgin of the Sign,

for sale by the trustees of the Fitzwilliam Settlement and should make around £75,000. From the same library come e host of expensive 19th century illustrated books including Gould's Mammals of Australia (around £30,000); Audubon's Viviparous Quadrupeds of North America (around £30,000); and Gould's Birds of Asia (up to £35,000).

An unusual item in this sale is a four-foot-leng peepshow of the valley of the Rhine from Bingen to Beppart. It was pro-duced around 1830 and is

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Monday October 13 1986

No way to open markets

WHEN CGE of France and ITT ment is insisting that France of the US agreed in July to offer reciprocal concession to combine their telecommunications the German telecommunications cations equipment businesses under the effective control of the French group, there seemed grounds for hope that a more rational structure might at last

Today, such optimism looks much less well founded. Indeed, the recent direction of events suggests that the plan could well conspire to per-petuate, rather than eliminate, some of the industry's most serious structural weaknesses and block progress towards a
more open and competitive
European market.
The proposed joint venture
would have operations in a
dozen countries and account for

about one third of equipment sales in Europe. CGE has sought to present it as e Pan-European initiative, principally by offering minority share holdings in it to other tele-an industry already gintted with a context of the context mmunications manufacturers. But its argument carries little conviction. In return for putting up large sums of money to help finance the deal, OGE's prospective partners fear they will gain little more than the right to watch the French state-owned group running the biggest show in town. Not sur-prisingly, there have been few takers.

Unbalanced deal

More seriously, little in the More seriously, little in the plan seems likely to speed the removal of the impenetrable barriers dividing national markets which are a major cause of the European industry's current problems. CGE's intention is not to sweep eway these obstacles but to circumvent them by securing direct access to ITI's existing customers. particularly for customers, particularly for digital telephone exchanges. Once firmly entrenched behind the ramparts, it could have little commercial interest in seeing the barriers lowered to admit rivals which would challenge LTT on its protected markets. All the less so since the Hercu-lean task of integrating ITT's System 12 exchanges into its stretch CGE's resources to the limit and render it acutely vulnerable to increased competi-

The unbalanced nature of the deal has aroused concern else-where, notably in West Germany where SEL, ITT's largest manufacturing subsidiary, has won valuable public orders for System 12. The Bonn Govern-

industry. But the most obvious and positive option—a straight-forward opening of the French market—is not on the cards. rational structure might at last Instead discussions are turning be emerging to replace the rigid fragmentation which has long bedevilled the European industry.

Today, such optimism looks repeated to acquire CGCT, the state-owned French equipment manufacturer.

Excess capacity

The French Government is seeking a bidder ready to take over CGCT, a heavy loss maker which owed its survival largely when owed its sinvival argely to state support. Its main attraction to foreign suitors— of which there are several—is its 16 per cent chare of the French public switching market. This has been achieved not by CGCT'e own commercial

excess capacity are any ginted with excess capacity are questionable enough but the prospect of a political deal, whereby France would buy off German objec-tions to the planned CGE-ITT merger by allowing Stemens to take over CGCT, raises still more disturbing issues. Such a trade off would amount to e cosy market sharing arrangement, deliberately contrived by governments for the benefit of their national industries. It would risk creating a mutually re-enforcing access between the two largest telecommunications markets in Europe, to the virtual exclusion of suppliers from other countries.

That is no way to build a

That is no way to build a common market or e competitive European industry. It is a throwback to the flawed policies which are responsible for so many of the industry's problems today. Consistently, European governments have put the short-term interest of suppliers above the longer-term objective of a free and open market. The result has all too often been myopic, companies barety able to walk without government support.

support.
Inevitably, opening European telecommunications markets would produce losers as kets would produce losers of well as winners. That is no reason to shrink from the task. It is a vital characteristic of healthy economies that healthy economies that inefficient producers are regu-larly weeded out. Europe will never create vigorous industries if it continues to labour under the illusion that they can be competitive without having to compete.

DENG'S CHINA

Long, long march to change

By Colina MacDougall

NEARLY 200 years ago, when the austere Lord Macartney led the first official British trade edegation to Peking, it took of amy months for news of the failure of his mission to reach may months for news of the failure of his mission to reach the failure of the Queen, it is possible to pick up the telephone in London, dial direct to Peking at and within seconds speak to people in the Chinese capital.

After centuries of seclusion, chine's relations with the out. Chinese relations with the out. Solve thoc is easing. The west, and its 25-year hostility to the Soviet bloc is easing. The West, and its 25-year hostility to the Soviet bloc is easing. The Taiwan problem, though an an irritant, has been temporarily shelved.

With modern telecommunications, increasional flights, as a large resident foreign community and millions of visitors, in ternational flights, as a large resident foreign community and millions of visitors, in the failure of the million of the community and millions of visitors, in the failure of the million of the community and millions of visitors, in the most powerful could be experted to the first refigning British modern telecommunity and millions of visitors, in the failure of the million of the community and millions of visitors, in the modern telecommunity and millions of visitors, in th

storey buildings.

theatre are more inventive and sometimes more critical than

While China is still well behind the rest of East Asia, it may at last be entering the 20th century. Unlike Japan, it has hitherto proved unreceptive and retired many of the elderly, to new ideas and fixed in its own culture. The last years of the 20ing Dynasty (1644-1911) were dominated by the reactionary level of development, thousands of new organisations have sprung up. Since the party mempers of the last 19th century.

Given China's size, poverty and from 40m a few years ago to 44m now, its role seems un-While China is still well be-Given China's size, poverty and isolation, it was never going to be easy to bring in new ideas. Repeated doses of revolution, banditry, invasion and civil war this century have not made progress any easier.

Even without these upheavals, the bureaucracy and nepotism which spring from centuries of rule by officials and respect for family ties would have conspired

In the country which invented

Foreign businessmen, tour bureaucracy, attempts at modists and sindent backpackers criss-cross the country by air, rail and motorbike. Limousines imperial times the power and markets clutter the streets, and prestige of an official was some urban families own colour TVs, cassette players and pressing to have a communist domination. Last month, the Chintheatre are more inventive and see magazine. Listograps railed ese magazine Liaowang railed against "edministrative interference disease " which it said had reached "epidemic propor-

> 44m now, its role seems un-likely to shrink. In urben economic reform, the devolution of power to factory bosses that was sup-posed to happen two years ago

> soared out of control last year, and in major factories there now seems little change from pre-reform days:

was reversed when the econ-

If anyone can set China per-manently on the road to modmanently on the road to modernisation, it is Deng. When he
came to power, the country was
recovering from 20 years of
unheaval in the Great Leap
Forward and the Cultural Revolution. Since 1976 the country
has enjoyed a decade of peace
and economic growth probably
unrivalled this century.

Deng has evolved a degree of
compromise among the leader-

compromise among the leader-ship which has allowed experiments with economic reforms even when problems such as last year's indistion and corrup-tion scandals made him vulnerable. This consensus and con-timity provide a basis for some change.

But there are signs that the

conservative Marxist opposi-tion, which prefers a conven-

boosted crucial food production to an ecceptable level.

In the field of foreign trade and financial investment it would also be difficult for anyone to undo Deng's reforms. China now belongs to both the World Bank and the IMF, and the Bank of China is deeply tied into world money markets. In trade and investment there are thousands of agreements are thousands of agreements and contracts, some of them with years to run.

with years to run.

There is also infinitely more ewareness in China than 10 years ago (though still only within an élite) of the value of modern technology which it needs but cannot make itself. tion systems —a polite way of saying they order the peasants about and seize their crops.
Equally, domestic trade
officials take every chance to
suppress the new small businesses. "Influenced by old

nesses. "Influenced by old ideas, many people have prejudices against those engaged in
commerce, and in some localities their legal rights and interests are not guaranteed,"
the People's Daily revealed recently. The newspaper noted
a consquent fall last year of
nearly half a million people
engaged in private business.
Because of these measures. rule by officials and respect for now seems little change from conservative Marxist opposition, which prefers a convenage against new ways of thought. The pricing system, which centrally planned without Deng, the future looks and new technology.

The crucial questions now are, bow far have cotogenarian generation of leaders are unhappy with the leader Deng Kaoping's reforms generation of leaders, and do they have any kind of cultural to persuade the pessants to forms have led. The party's slock introducing far-reaching reforms: in farming, in the titled. "Yet, this is a tree produced a resolution urging reforms: in farming, in the titled conservative Marxist opposition, which prefers a convenious them have leaded in private louding of the intention of communist state with allower uncertain. His heirs, among them have plust woken up from a nightnare or amtieties based of these pressures, which some understanding of the market, and the way be has introduced can be about introducing far-reaching reforms: in farming, in the united conservative which prefers a convenious the prefers a convenious. His heirs, among them that Yaobang, party general decision-maters, they may not be enough to chains, they may not be enough to chain the first looker uncertain. His heirs, among them Hat Yaobang, party general decision-maters, they may not be enough to chain the first looker uncertain. His heirs, among them Hat Yaobang, party general community at the first looker which prefers a convenience of these pressures, which the future looks without Deng, the future l



they have always believed thet only powerful material incen-tives could galvanise the torpid economy and, on its own, None of China's potential leaders appears to have that degree of weight. A likelier scenario is for government by committee, still reformist, but less decisive and influential. the new note of idealism would be unlikely to do so. be unlikely to do so.

Conservatives on the lower rungs of the bureaucracy prefer the traditional local boss role partially lost under the reforms, would like to go back to it et the first opportunity. As soon as something goes wrong in the countryside, said the China Dally last month, rural officials "revert to the former production and distribution systems"—a polite way of negate reform simply by in-activity, and a feeble leadership might be swamped by intrigue and corruption. A re-run of the Cultural Revolution is unlikely, but unless Deng can bring in a real measure of control over arbitrary officials. China could again bead off down some not altogether rational med.

At the deepest level the at the deepest level, the permanence of Deng's changes must depend on how far they can take root in the exiting culture. In the first half of this century, only a few Chinese travelled abroad to absorb new ideas, and since 1949 their influence has been small annual level. finence has been small—apart possibly from Deng himself, who went to France at the im-pressionable age of 16.

But since 1978, thousands of But since 1978, thousands of young Chinese have gone to America or Europe to Study, While many will prohably join the ranks of China's elite decision-makers, they may not be enough to change the essentials of China's social and cultural traditions. Whether the trappings of modernisation that Deng has introduced can survive his exit, any more than aimilar trappings in Iran surv

amples of how Chinese can create their own modern cultures and thrive commerci-It is certainly true that south-east China, from which most Overseas Chinese hail, is today buzzing with money-making activities to which the locals have readily taken.

But, unlike the landlocked interior, for centuries the south-east has traded with foreigners and given them bouseroom. Their cities have also accommodated continuous foreign settlement from the Arabs in the first millennium onward. The hundreds of millions in the interior of China may turn out not to have so much in comu with the entrepreneurial Over-seas Chinese of Hong Kong and

Attitudes to the permanence of the reform within China are thus hopeful rather than confident. "The peasants are afraid our policies will change, and so are the intellectuals," said Wang Ruoshut, former deputy editor of the People's Daily, in

House prices and reality

THE BELIEF that house prices ments constraint threatening to in Britain can only go upwards reassert itself with a vengeance, in Britain can only go upwards has exceptionally strong psychological roots. Understandably so, in a small, over-populated island, densely hedged about with planning and rent controls, where people have seen the annual rate of increase in retail prices top 20 per cent under both Labour and Tory governments during the past dozen years. Hence the stir caused by Mr

Robin Leigh-Pemberton, the Governor of the Bank of Eug-Governor of the Bank of England, when he warned last month that no economic law dictated an ever-rising trend in house prices. Subsequent events have, bowever, made his warning look all the more timely. Last week's sterling crisis

serves to underline the unusual macro-economic background to the recent build-up in the per-sonal sector's indebtedness, which is one of the main which is one of the house price boom. Such indebtedness has increased from about 40 per cent of disposable cent to 70 per cent of disposable income since 1979; over the same period the proportion of disposable income devoted to debt service has nearly

The starting point is signifi-cant because 1979 saw the re-moval of exchange controls and the beginning of the big build up in North Sea oil revenues. In the ensuing period the balance of payments failed to impose its traditional constraint on demand in the British economy and thus on consumer

At the same time deregulaket, together with the increased importance of variable rate nding, meant that monetary policy ceased to operate on the economy primarily through the housing sector. Instead, mannfacturing bore the brunt of the impact via the exchange rate. The manufacturing sector also saw its fiscal advantages reduced relative to the housing duced, relative to the housing sector, as a result of the phased removal of capital allowances while relief on mortgage interest remained intact.

but the Tory party conference last week threw up some intaresting straws in the wind in relation to the underlying housing market.

The first concerned tax relief

on mortgage interest, whose abolition Mrs Thatcher regards as an exceptionally potent vote-loser. Others regard it as one of the most potent contributors to house-price inflation. It was therefore, noteworthy that Mr Michael Heseltine, albeit from a position outside the cabinet, was prepared to make a cours-geous call at the conference for phased removal of the relief.

Climatic change

Also noteworthy was the readiness of a Conservative housing minister to talk of grasping hitherto intractable nettles in the rented sector. Mr John Patten's rhetoric, which referred to the restoration of referred to the restoration of "the right to rent," was perhaps more radical than his actual preposals. Deregulation is to come in steps, with the increasingly free market applying only to new lettings by landlords, who would be required to register with the Department of the Environment partment of the Environment. It would be unwise to translate these pointers into specific forecasts at this stage. While Mr Patten promises to bring more property into occupation through his liberalising measures in the rented sector, he also wants to see I'm more property. he also wants to see 1m more home-owners over the next five years. In the mortgage market, deregulation continues to have an impact. Netional Girobank is to join the throng; Barclays, whose chairman mostly whose chairman recently warned of the risks of impru-dent consumer lending, has just decided to advance mortgages on second homes; foreign insti-tutions are increasingly active: and the building societies will be allowed to make unsecured loans from next year.

rates of interest transfer the inherent risk from financial intermediaries to borrowers, the There is now good reason to upward trend in arrears and There is now good reason to upward trend in arrears and question whether this configuration of circumstances will be cess, as the Governor hinted, maintained for much longer. could ultimately cause prices however.

Running through the Presi-

Reagan sees the papers

An outbreak of foot in the mouth spread quickly through the Russian and American dele-gations in Reykjavík as press spokesmen and interpreters tried to satisfy the needs of the biggest press corps Iceland has ever seen.
The Soviet translator et the

Kremlin'e first press conference was an early casualty. He has not been seen since. His succes-sor has survived so far. But he

sor has survived so far. But he too could well find himself shipped off to Moscow's school for failed translators.

"The rest of your question was based on a mismderstanding" was his rendering of a particularly blunt Russian response to an American question on Star Wars technology fielded by top Soviet official Georgy Arbatov.

Arbatov wasted no time putting the record straight. He followed the interpreter. "Your question is based on technical nonsense and slander," he snapped in quite undiplomatic language.

language. Next came the sad case of the Next came the sad case of the top American official attempting to grapple with the daunting task of telling the White House press corps what Reagan and Gorbachev might be talking about, without actually telling them anything.

He was reminded that at the Geneva summit reporters were told what the agends was "Is."

told what the agenda was. "Is there an agenda for this meet-ing?" he was asked. "I think the people who ask that question probably don't have very much experience with the way these meetings go in practice," the official replied bravely. He went on to explain that in Geneva the two leaders "began talking about things... and they actually got very mixed up in the various

loans from next year.

But it is not unrealistic to detect a change in climate. And greater understanding. The flustered official was left extended to the could, that A gale of laughter greeted plaining, as best he could, that what he had intended to say

Was ... White House spokesman Larry

Men and Matters

dent's schedule he said: "He was up at 8 o'clock with his daily intelligence briefings, looked at the local papers, and ...
"Is this more White House disinformation?" saked a pair of alert and incredulous journalists. "Larry, there are no so-called papers in English

here."
"What did I say?" retorted a triumphent Speakes.
The penny dropped. The reporter admitted: "You said he looked at them. You didn't say he read them."
"See," said Speakes, enjoying the moment. "When you have been in this business a long time you have been in this business a long time.

you learn there are words and there are other words."

Midland's cover

Should we detect the hand of Sir Kit McMahon in the appointment of Ian Hay Davison as a director of the Midland Bank? Sir Kit, who has just taken over as chief executive of the clearing bank, knows the former clearing bank, knows the former chief executive of the Lloyd's insurance market well. As deputy governor of the Bank of England, McMahon was closely involved in the choice of Davison in 1983 to bring some order back to the scanduliden institution.

Since then Davison has cemented the relationship by persuading Sir Kit to become a member of the board of trustees of Covent Garden, which raises money for the Royal Opera

House.

Davison resigned from Lloyd's

and vaturned earlier this year and returned to his old accountancy firm of Arthur Andersen—but as an adviser rather than a partner. That was because he wanted to be free to accept directorships. His others are the new newspaper, the Independent, and Morgan Grenfell Asset

Morgan

Management

Not that Midland's earlier

problems with Crocker Bank
are likely to require Davison
in his troubleshooting role. "I

observe that matters are much

to the world of rasmon. At ha, he was twice responsible for introducing a new range of uniforms working with the designer Calvin Klein. "I

time," says Phelps. "Whatever



Kenneth Baker's reforms have started—we can only smoke behind the kike sheds from now on."

on the mend at Midland. It will be interesting to see develop-ments there," be commented cautiously after attending his first Midland board meeting.

Man of fashion

Howard Phelps gave up his usual weekend in the country to watch the catwalk presentations of the British Designer Show at Olympia, the top fashion event of the year in

Phelps is just two weeks into a new job as a director of P & O, after spending 14 years with British Airways where latterly he was director of operations.
P & O may be best known

for its ships but it also has an important stake in exhibition halls. It owns London'e Earls Court and Olympia.

He is not a complete stranger to the world of fashion. At BA

we did, half the staff would like the change and the other half would not."

The Designer Show is only

one of the 85 annual exhibition for which he is now responsible Fashion, he says, is an important element in the total exhibition list. "I shall get round to seeing them all in turn, though the fashion shows particularly interest me. like some of the other show themes which come and go."
In particular he sees the fashion shows as an important weapon in the fight to raise the image of both Earls Court and

Olympia.

The Olympia exhibition hall, opened 100 years ago, has often been criticised as old-fashioned. Phelps points to the £20m spent recently on Olympis and Earls Court and claims they are as good as any of the heavily subsidised centres on the continent.

Unqualified Those first awkward moments

of an andience with the Chinese leader Deng Xlao Ping are a true test of wit as the Queen has presumably discovered.

The former 'US President, Richard Nixon, an "old friend"

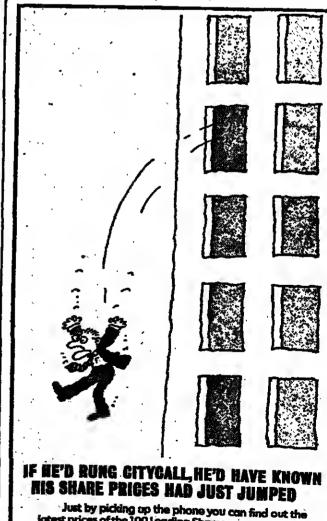
of China, suggested to Deng during a meeting late last year that Deng was fortunate to have impaired hearing so that, "you can only hear what you want to hear." Deng has just met the US Secretary of Defence Caspar Weinberger, and the US ambassador to Peking, Winston

Lord.
The Chinese leader, who is a chain smoker, offered Weinberger and Lord the Panda brand cigarettes of which he is so fond.

Both guests refused the offer. and Deng suggested that "you are both good persons." Lord said that having been a minister of health he does not smoke. Weinberger said that even though he hasn't been a health minister, he doesn't

Cigarette in hand, Deng observed: "It is a pity that I have never been a minister of

Observer



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THE FRENCH steel industry has been a graveyard for managerial reputations. Five chairmen have presided over the two state-owned groups in as many years. Each has received a cold farewell from the government of the day.

Mr Francis Mer, who has just taken over as head of both Usinor and Sacilor, is the first man to be given responsibility for the two groups together. With the whole of the state steel sector under his control, at a time when the most difficult phase of restructuring is probably over, he stands more chance of making a success of the job than his predecessors.

Like its counterpart in

Like its counterpart in Britain, the French steel industry has suffered over the past decade from bad investment decisions, political interference and the lack of a consistent strategy in adapting capacity to demand.

Just as the Labour government of 1974.79 showed down the process of rationalisation in Britain, so the arrival of the Socialists in France in 1981 served to delay closures that were needed—at least until 1984 when a more rigorous policy began to be implemented in terms of output perman, the French industry overall remains one of the least efficient in Europe, behind West Germany and Britain,

The government of Mr Jac-ques Chirac has given Mr Mer two main tasks. The first, in the words of an official of the Ministry of Industry, is "to restore the competitiveness and profitability of the steel industry as rangily as possible with as rapidly as possible with a view to its eventual privatisa-tion."

The emphasis on privatisation—still only a distant glimmer on the borizon—is to show that Mr Mer's brief goes beyond halting the drain that steel represents on the Government's finances. He must work towards establishing a steel industry that can hold its own in a Europe that is phasing out subsidies and quotas.

When they came to power in

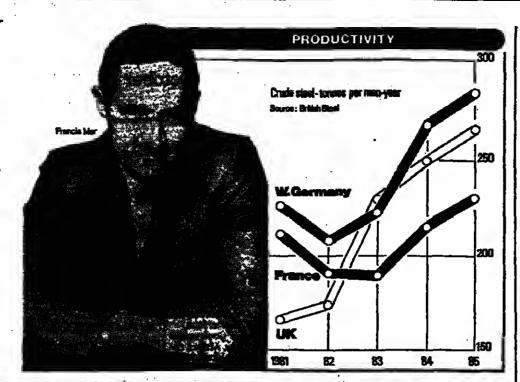
when they came to power in 1981, the Socialists bucked the general trend in Europe towards restricting output. Whereas the EEC imposed a crisis regime of quotas and capacity enthacks in 1980, France drew up plans to expand production. Decisions taken the following year to reduce the working week from 40 to 39 hours and introduce a fifth shift to raise manning levels also pushed up costs and productivity.

Mr Mer's other task is to prevent the labour conflicts that have plagued the industry in the past, and which could damage the Government in the

FRENCH STEEL INDUSTRY

Uphill battle to hold its own in Europe

By David Housego in Paris



closures of the last few years tion last year in return for EEC have demoralised the labour approval for a plan to provide force, another factor which an extra FFr 30bn of assistance weighs on productivity and to the industry spread over the costs. But, as recent demonstrations against closures in the Production now is expected French shippards have shown, in fall to 18m tonnes by 1990 the Communist-led CGT, the from this year's anticipated largest steel industry union, level of 17.8m tonnes, fint even is still seeking a major constitution with government.

My May have been subset away at a likely to be necessary.

frontation with government.

Mr Mer has taken over at a time when both steel companies are still in the red. Cumulative-losses by the two groups over the five years up to 1985 have totalled FFr 38hm (24.05bm). The deficit is now falling with combined losses this year expected to be under FFr 40n, against last year's FFr 8.9hm. But the industry is not expected to show a profit before 1989.

This tragile financial situation in part reflects the fact that restructuring in France began long after it had started in the rest of Europe.

long after it had started in the rest of Europe.

The expansion plan was never implemented — it fell foul of the large public expenditure cuts of 1963. But having geared the industry up for an increase in output, it proved difficult to engineer a change in direction. Cutbacks in capacity thus have been concentrated in the past three years — in the wake of the adoption of a revised stoel plan in March 1964. By the end of last year France had cut 5.4m tunnes of hot-rolled capacity from the 1960 level of 26.9m tunnes — or marginally more than that required under controlled restructuring of the European steel industry. In addition, France agreed to e further 745,000 tonues reduc-

None the less, the European Commission no longer thinks that overcapacity is the French steel industry's most serious problem. Parallel with these reductions

Parallel with these reductions in expacity, the workforce has been cut from 90,000 at the end of 1984 to 75,000 at the end of 1984 to 75,000 at the end of last year. Under plans approved by the European Commission, a further 10,000 jobs will go this year and 10,000 more next year. The goal is to reduce the numbers employed in steel making to 50,000 by 1988. Mr Her will face the challengs of seeing that the remaining reductions take place smoothly. Despite these sharp cuts in capacity and the labour force. French steelmaking suffers from other handicaps that weigh on costs. The most important is the low quality of mineral-ore in Lorrains.

Under current cost-cutting plans, the Longwy steel plant, which relies on low quality Lorrains ore, is to be closed. A new, more efficient, electric-fired mini-mill, fed by scrap metal instead of ore, has just come on stream at Neuves Maison, and another is due to be built at Longwy.

But the most ambitious scheme to cut losses in Lorraine was that initiated by Mr Claude Dollé, the furmer chairman of Sacilor. This involved an eventual merger and joint rationalisation of Sacilor's long products division with Arbed-Saarstahl, the loss-making West German producer—thus setting a precedent for restructuring at a European rather than a European rather than a national level.

national level.

But both Sacilor and the French government appear to be backing away from the plan. Faris fears it will end up financing Arbed Saarstahl's losses, and that the scheme will involve heavier cuts in capacity and employment in Lorraine. But the price of not going ahead is that Sacilor will need to widen its product range by building a new wire rod rolling mill at Gandrange at a cost of about FFT 400m. This will both add to European capacity and directly campets with Arbed Saarstahl's plant in the neighbouring German province of the Saar.

which prices and demand are select making regions of Lorraine of the 5.5m.

Under current cost-cutting the North, the home of Unior.

The government's decision not to merge the two groups-because of the suployment cuts that rationalisation would have that rationalisation would have entailed, and because of pressure from the car manufacturing industry to maintain competition among its suppliers—has had a number of negative results. Investments and research facilities have been deplicated, as has spending en overheads. Mr Jean Gandois, called in by the Chirac government te advise on the steel sector (he has since become chairman of Pechiney, the French aluminium group) believes that the two groups have so concentrated on entimanocuvring each other that

mandeuvring each other that they have lost sight of the possibilities for competition elsewhere in Europe and the The Socialists moved to limit the damage of this rivalry by merging the long products and engineering steel divisions of the two groups into two new companies, Unimetal and Ascometal Control of both has been transferred cines to Facilies.

portant is the low quality of mineral-ore in Lorraine—
France's eastern steel-making region. Steel produced in Lor-aine Gandrange at a cost of about raine from local mineral-ore—
rather than scrap metal—
accounted last year for 29 per cont of French output, or 5.5m tonnes, Of this, 2.3m was produced by Sollac, Sacilor's flat products division, largely for French and German ear manufacturers. Long products (bars, beams, rails and wire rod), for mineral-ore tits products of the steel groups. This reflects metal. Control of both has been transferred since to Sacilor.

Mr Mer's dual sppointment is effection. The sim is to co-direction. The sim is to co-direction. The sim is to co-direction of facilities, it could lead to the setting up of a single holding company, and eventual facturers. Long products (bars, first passed groups, This reflects likely to maintain the separate

identity of the two produce to appease regional feelings. to appease regional feelings.

The third major problem of the industry is one of management. Changes in policy and leadership, as well as closures and job cuts, have left management as well as the workforce demoralised. Though the integrated coastal mill. et Dunkerque — Fyance's largest with a capacity of 4.5-5m tonnes—has benefited from heavy investment in recent years.

investment in recent years poor management has meant that yields of both energy and steel remain relatively low.

There are points of strength, whatever the weaknesses. Solmer, the other coastal integrated plant at Fos, near Marseilles with a capacity of 272.5m tonnes is one of the most modern and efficient in Europe. Dunkerque, once its management has been inuroved, could also rank with the leaders.

Lombard

The way to sell Radios 1 and 2

By Samuel Brittan

THE BEST known rec THE BEST known recommendation of the Peacock Committee, and the one which first leaked, was its majority support for the sale of BBC's Radie One and Radio Two—the "pop" and popular stations respectively. These would be financed by advertising. The whole committee agreed thet the BBC in privatise these stations and also "local radie in whole or in part."

What exactly would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties would the BBC sell? At a minimum the properties well? At a minimum the properties well well at a minimum the properties well by Radios One and Two. The sell by Radios One and Two. The sell by Radios One and Two. The sell by Radios in part."

in part."
So far, I have been reluctant to discuss this recommendation lest it divert attention from the committee's main conclusion that "British broadcasting should move to a sophisticated market system, based on consumer sovereignty." This goal will be served most by longer term developments in cable, satellite and Pay-TV, which so far seem to have their main satellite and Pay-TV, which so far seem to have their main application to television.

Moreover even if we stick to the committee's short-term recommendations for radio, the most far reaching one is not the privatisation of the two BBC stations but the suggestion that "any further radio frequencies becoming available should be sold to the highest bidder." This recommendation would at least discourage the kind of agit-prop applicants which some Ministers feared would dominate Community Radio. The associated suggestion, that IBA regulation of radio be replaced by a "looser regime such placed by a "looser regime such licence fee.

IBA regulation of radio be re-placed by a "looser regime such as the one operated by the Cable Authority" was endorsed

What exactly would the RBC

Part of the package would also be existing contracts with broadcasters—as in any normal commercial sale. The studio space could also be included. The BBC would have to lease its transmission facilities et e reasonable price (le one related to marginal cost) to the suc-

Taking the everage station value per household in the US of \$10 and adjusting to British

Marseilles with a capacity of 272.5m tonnes is one of the most modern and efficient in Europe. Dunkerque, ones its management has been ipmroved, could also rank with the leaders.

Mr Mer's experience of turning around Pont a Mousson, the pipes division of the glass and engineering group. Saint Gobain, should help him in tackling the task ahead. The Ministry of Industry insits that the will be given a free hand in the steel sector—though that remains to be tested. The Ministry of Industry insits that the strict Arts Council sense and to the inability of advertisging some assistance in financing investments.

Mr Mer has given himself several weeks to make his own adjustions. But his friends aready says he wears a confident to the industry's problems. But his friends at the additional "range and quality."

Marseilles with a capacity of the more operated by the Cable Authority "was endorsed would demenstrate the final rejection of the paternalist idea that the BBC has te do everyting, to carry out its obligations. Finally, what of the threat should be in everything, to carry out its obligations. Four, thus diluting more popular material to Radios Three and to the inhibitity of advertisging more status from the strict Arts Council sense and to the inability of advertisging more status for a few years longer is the provision watcher, these arguments for supply what commercial provision watcher, these arguments for not entered to be a factady says he wears a confident to the paternalist idea that the BBC has te do everything, to carry out its obligations. Finally, what of the threat should be dismarked provision by switching more popular material to Radios Three and to the inhibitity of advertisging more status for a few years longer is the provision of providing some assistance in financing investments.

Mr Mer has given himself several weeks to make his own at the provision of the paternalist idea that the sease to the two popular tradio stations is at least e step to the two popular tradios that the ones form that

From Mr R. Monto-Davies Sir, — In your Leader on Mexico "The dilemma over Mexico's debt" (October 9) you give a masterly exposition of the problems involved, but are rather weaker on proposed solutions. As reschedulings come and go, it is becoming increasingly hard to continue te bludgeon the world's banks

into making loans to countries with poor credit standings. The anemalics are well knewn, but are worth repeating. If Mexico, which is a poor credit risk, is lent long-term money at seven-eighths, what rate is going to be charged to ether countries? be charged to ether countries?
In normal banking, the lower
the margin, the better the
credit. Also, what is the incentive for any country to try to
service its debt if it sees that
ne sanctions are imposed on
those countries which fail to

When the crisis started, four years ago in August 1982, the world's banking system was net in a position to deal with large losses on their less developed countries' (LDC) debt, and the fixes which have occurred since then have generally been bene-ficial. Over this period, prudent bankers have built up provisions, and banks have no one but themselves to blame if their but themselves to blame if their current reserve levels are inadequate. While the world's banking system may be in a better position than it was, the same cannot be said of the politicians who, having encouraged banks to lend to LDCs and then criticised them for doing so, now berate them for not lending more. Nowhere is this paradox more clear than in the US where Congress and this paradox more clear than in the US, where Congress and the general public seem more interested in punishing the banks than in providing a long-term solution. We have argued for some time that, until politicians are prepared to commit public money, there is going to be no satisfactory solution to the LDC crisis. It is bad banking to force private banks to ing to force private banks to make loans they do not want to make, and the present partici-pation of the World Bank in ced Mexican package

is totally inadequate.

Both Secretary Baker and Mr Volcker are said to have made the completion of the current rescheduling package a matter of personal prestige and forced reluctant US banks to agree to it.

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way of secretly helping them of the country simply cannot

Letters to the Editor

would be to allow more generous tax relief on country lending. This applies equally well to the UK.

Banks are not fitted to be the financial policemen of the world and they should not be cast in this role. By all means let them take their losses, but to really them to wake inverse.

forcing them to make impru-dent loans cannot be sensible in the long term, and politicians, especially in the US, should take note of this. Robin Monro-Davies (Managing director), IBCA Banking Analysis. 2, Eldon St, EC2.

red tape

Front Mr W. Cash, MP Sir,—William Dawkins' open letter to Lord Young (October letter to Lord Young (October 1) rightly points out that reducing red tape is only part of the story. The main point of the letter, however, suggested that the progress that has been made in the battle against red tape has been less than successful. Of course, there will be differences of view as to what should or should not be reformed, but one thing is certain and that is that the Governformed, but one thing is certain and that is that the Government's policy, as shown by its recent White Papers, is based upon a determination to overcome a problem which has accumulated for something of the order of 75 years. This could not be dealt with immediately but great advances have been made.

The exteriorise and deregulation unit

enterprise and deregulation unit was a major step in the most crucial area, which is the co-ordination of the cutting of red tape between government departments. It is the job of the tunit not only to consider reforms to old legislation, but to consider their impact in co-operation with individual departments on new respectation. departments on new proposals. These matters apply as much to EEC as they do to domestic

legislation. It would be a mistake to imagine that the Government is assuming that reducing adminis-The solution, however, to the trative burdens is in any way LDC problem is more impor- a substitute for implementing LDC problem is more important than the prestige of sither of these two gentlemen, and it will come about only when public money, ic, direct government lending, or lending via international institutions, is increased.

If the American administration is seared of being seen to help its own banks, then one industrial and commercial life of the country simply cannot

would be to allow more | be underestimated. There is no doubt that more regulations are emerging and it is equally control.

The 160 ideas in the two White Papers certainly do speak for themselves but the important point which Mr Dawkins seems to have missed is that some of the individual is that some of the individual ideas really do, and will, make an enormous difference to the businessman, big or small. I refer, for example, to the proposals to change the planning laws in relation to the setting up of small businesses in domestic premises. It has been estimated that in the USA over the past ten years or so, something of the order of something of the order of 85 per cent of new businesses something of the order or as per cent of new businesses have been started in domestic premises. Providing the changes in the use classes order are done with due consideration for environmental issues that concentrate on the back roose rather than the back roose rather than the hack yard, then this single reform could sethleve an enermous amount in helping new enterprises to get off the ground. In other words, the number of changes in the cutting of red tape has to be weighed against the individual ideas which will have greatest and most beneficial timpier. The time for legislation is now and the Government deserves congratulation fur the progress it has a far made, Successful architecture deserves congratulation fur the progress it has a far made, Successful architecture deserves congratulation for the progress it has a far made, Successful architecture deserves congratulation for the progress it has a far made and the ground all the control of the progress in the second of the progress in the progress in the second of the progress in the progress in the second of the progress in the progress in the second of the progress in the second of the progress in of the building itself.

(Secretary, Conservative Bach, Bench, Committee on Mail: summester; House of Commons SW1

Technology for defeace From the Chief Executive, GEC Apionics

Sir. The letter appearing on October? under the title of "Technology for defence" calls for some comment.

come Europe's biggest exporter | Wetherby, Yorks.

of vircraft electronics to the US without ever having col-laborated with an American

GEC's AEW team is the only naive enough to believe that American manufacturers, wish-ing to see this capability killed off, will build up a serieus com-petitor in the shape of Flessey, sort of sirborne radar. early waining or shy other becience aparocated althorne a combany which has no ex-

Mstree Way, Borehamwood, Herts.

Debtors and small firms From Mr P. Rope.

Sir,—Mr P. Rome.

Sir,—Mr F. V, Mills (October 6) highlights a continuing problem for the small firm, that of prompt payment of invoices. Earlier this year, of course, the Government's booklet, "Payment on Time," sought to encourage both buyers and suppliers to adept practices which would overcome this.

One of the main thrusts of effective credit management is the assessment of risk before entering into a contract by analysing a customer's ability to pay for the goods or services supplied. It is fatal to a company's well-being to act only after the event of a debt becoming due. Experience has clearly demonstrated the value of estab lishing accurate information about a customer and his finanabout a customer and his huan-cial position and using that in-formation to predict the risk in-volved in dealing with him. By this means the incidence of long outstanding debts can be mini-mised, management time spent on the problem can be reduced and cash flow can be consider-ably improved. There can be no doubt that specialist credit manably improved. There can be no doubt that specialist credit man-agement techniques can contri-bute algorificantly to increased profits and industrial growth. P. A. Rows, (Head of External Affairs), Institute of Credit Managem Easton House, Easton on the Hill, Stamford, Lines.

Risk of nuclear accidents From Mr R. Hurst.

Sir. — The letter appearing on October? under the title of "Technology for defence" calls for some comment.

If has been long established in his article on nuclear safety horifles me. If the chance of panies, is really an opportunity to hid star subcontract work, and under no circumstances a grarantee of orders. Such opportunities to hid for work are specified in his article on nuclear safety horifles me. If the chance of a nuclear sacident is once in 30,000 years and there are 30,000 nuclear stations the chance remains at once in 30,000 years! Why? Because the chance of a station having an arcident is independent of any other station's chances.

Robin Hurst.

20 Esh Gardens, Wetherby, Yorks.

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FINANCIAL TIMES

Monday October 13 1986



Roderick Oram on Wall Street

Dream team for a big league raid

CORPORATE raiders, or restructuring specialists as their press handlers would have you call them tend to cultivate the image of Lone Rangers bringing incompetent ements to book to the grea

ter value of all shareholders. Yet behind each of these mercurial, high profile figures beavers away an anonymous team of hired guns equipped with skills essential to toppling the chosen target. Fran-tic share trading on Wall Street is only the smoke. The real fires burn in the plush mid-town offices of lawyers, media specialists, proxy solicitors, bankers and the like.

From the outside looking in, raiding seems exciting. Sure, its tough during the short campaigns but you can enjoy the spoils in quiet periods

Should you fancy a crack at this high rolling game, as some might in the wake of Carl Icahn's \$8bn bid last week for USX, here's the dream chosen subjectively after consulta-

tions with some big players.
Fund Raisers: Promise almost anything to sign up Drexel Burnham Lambert, masters of the junk bond. These days, though, they can afford to be choosey about who they perform financial miracles for. You may have to settle for Merrill Lynch or Shearson Lehman who are trying to muscle in on Drexel's phenomenally profitable business. Forget the old Wall Street firms. Chances are your target is one of their blue chip clients. You may also need commercial

hanks. Some raiders shun them be-cause a few leak like sieves. Try Banque Paribas' New York branch which is renowned for discreet de-ployment of huge sums on fine terms for the likes of Sir James Goldsmith, the British entrepre-

Lawyers: Skadden, Arps, Slate, Meagher and Flom. Ask for Joe Flom, though he's a bit tied up at the moment masterminding USX attempts to repel leahn. (Most players are ambidextrous, equally at home on offence or defence.)

Depending on your target's counter-attack, you may need in addition a Washington firm that can negotiate the capital's labyrinthine regulatory process and political lobies, Guif Oil fell to Chevron partly because it failed to use effectively the powerful congressional delega-tion from Pennsylvania, its home

Proxy Solicitors: The Carter Organization. Up to 85 per cent of SOME COL ies' shares are held by nominees but Carter cracks the secrecy with computer data bases linking Street names to fund managers and other big shareholders It'a an art, says Don Carter. Tve

tried to clone myself but to no Carter, which bills itself as "consultant on corporate govern-ance," will also devise advertising campaigns and line up one of the half dozen reliable financial print-

ers in New York City.

pany. Founded almost 16 years ago by Gershon Kekst, it has specialised in corporate financial rela tions. It says it thrives on rising to the challenge of helping executives articulate their strategies to share holders. Comfortable on either side of a deal, sometimes both in friend-

Stock Brokers: Accumulating an initial stake in the target company without attracting attention is fundamental to a successful raid and almost impossible. "If you hear of a way let me know," asked one raider with a big battle on his hands at the moment. His advice: keep out of thin markets and spread the busi-ness around in a slow and careful fashion. He likes using Jefferies Company and Bear, Stearns for their block trading skills.

Target Pickers: You're on your own until you build a reputation. Then, you "get lots of calls from dis-gruntled shareholders," said one restructuring specialist. Basically there's a lot of people out there do ing your homework for you." In the ntime, be an acute reader of an alyst and company reports. If you have some analytical talent you won't need professional help. "We don't give a damn about accountants - it's all about cash flow," said the specia

Corporate Vehicle: Best of all is a private firm bearing your own name. Cut in friends and associates on the deals but keep total control for maximum manoeuverability and secrecy. Frequent your old heunts so no one knows you're busy homing in on a new target. Check you can afford the above

team. Icahn spent close to \$25m on his 1984-85 run at Phillips Petroleum. Work covertly with the hired guns until you think you know every move the other side will make," a media relations man counselled. Then, braced for the flak, go pub-

lic, emboldened by huge profit forecasts and oblivious to the potential

Frontline states meet amid fears on security

ANC terrorists."

BY ANTHONY ROBINSON IN JOHANNESBURG

front-line states held a hurriedly arranged summit in the Mozambican capital of Maputo yesterday to dis-cuss security and Mozambican fears of an imminent military strike by South Africa against alleged African National Congress (ANC) targets near Maputo.

Mr Oliver Tambo, leader of the ANC in exile, also took part after arriving from Lusaka with Zambian President Dr. Kenneth Kaunda. The meeting took place against a background of nervousness in Map-

uto after a state of "permane alert" was declared on Saturday. Mr Sergio Vieira, the Minister of Security, who announced the state of alert, accused "South African warmongers of preparing direct at-tacks on our country by their armed forces with the ultimate aim of overthrowing the Mozambican Gov-ernment and installing a puppet re-

He alleged that South African commandos had already infiltrated Maputo and he told a meeting of pa-ra-military vigilante groups in the capital: "We must neutralise this group before it carries out the crimes it plans."

A South African Defence Force spokesman described the Mozambican allegations as "no more than speculation and a sign of a severe attack of nerves on the part of the

RTZ to

reduce

holding

in CRA

each. As a result, Australian Mu-

tual's stake in CRA will increase

RTZ's holding has been gradu-ally reduced from the 72.6 per cent stake which it had when

agreement with the Government

further plans to reduce its inter-

The change will have two beneficial effects on RTZ's ac-

counts. Because of the differ-

emes between Australian and UK accounting standards, CBA's depreciation charge has historically been high. By removing CRA's reserves, and thus the de-

preclation charge, from the ac-counts, ETZ's reported net earn-ings will increase by about £17m

RTZ will also benefit from the removal of CRA's dobt from the

balance sheet, which will cut BTZ's gearing level from 64 per

The negative effects of the

The negative effects of the move will be to reduce RIZ's reserves and to diminish slightly CRA's contribution to group profits. In the year ending December 30, 1985, RIZ had attributable income from CRA of 540 2m.

In the accounts for the year ending December 30 1966, ETZ intends to treat CRA as an asso-

ciate for the full period. Thus the profit and loss account will in-

clude 52.3 per cent of CRA's pre-

tax profit, tax charge and earnings up to October 12 and 49 per cent thereafter.

£49.3m.

ras reached in 1979. It has no

LEADERS of the southern African obviously feels itself to be in deep rebel Mozambican National Resiswater because of its support for Fears have arisen of South Afri-rebel military activity in Zambezia an military intervention similar to

can military intervention similar to South African raids before the March 1984 Nkomati accord on the town of Matola near Maputo and other alleged ANC bases. This follows Pretoria's decision to repatriate Mozambican workers and threats by General Magnus Malan, the South African Defence Minister, of possible retaliation against alleged ANC bases after last Mon-day's landmine explosion near the

embique border The Mozambican News Agency, Aim said the summit was chaired by President Samore Machel of Mozambique. It was attended by President Eduardo Dos Santos of Angola, President Quett Masire of Botswana, President Ali Hassan Mwinyi of Tanzania, President Kaunda leged that 23 terrorist attacks had of Zambia and Prime Minister Robern planned and carried out from bert Mugabe of Zimbabwe together with their military and security adwisers. Mr Kengo Wa Dondo, Prime
Minister of Zaire, also led a delegation to the meeting and at the end
of the summit, the front-line leadWe Sizwe, had returned to the Mo-

two weeks after front-line leaders months but denied that he was now went to Malawi to put pressure on its Government to expel units of the presence had increased.

tance (MNR) from bases in Malawi. This followed weeks of increasing tween Malswi and Mozambique.

The Mozambican Government believes that the South African decision to expel Mozambican workers and threaten military interven-tion against ANC bases in Mozamhique reflects South African pique at the front-line states pressure on

Under the Nkomati accord South Africa agreed to end clandestine support for the MNR and Mozambique agreed to expel ANC guerril-las and cadres from Mozambique. Since then, both sides have accused each other of violating the accord. Shortly after last week's land-

mine explosion, an official commen-tary on South African state radio al-Mozambican bases in recent months. It also alleged that Mr Joe Slovo, a white South African comers were acheduled to hold separate zambican capital. Sources in Mo-meetings with the Zairean delega-tion. zambique yesterday confirmed that Mr Slove had been to Maputo two three times in the past few

Japan's 'clone' fans fuel French anger

BY IAN RODGER IN TOKYO

A ROW has erupted between France and Japan over the difficulties encountered in Japan by a small By Philip Coggan in London French high-technology company trying to prevent the alleged unau-thorised manufacture of its prod-**RIO TINTO-Zine Corporation is** reducing its stake in CRA, the Australian mining company, as the final stage of the Australiaucts by a Japanese competitor.

The French authorities are in-

creasingly upset about the time it is taking for the Japanese to accept the findings of French courts and a nisation" process originally agreed with Sir Malcolm Fraser's government in January 1979. European expert in the case. The case is unusual in that Japan The sale will reduce RTZ's holding from 523 to 49 per cent and turn CRA into an associate rather then a subsidiary in RTZ's

is seldom associated these days with the kind of industrial counter-feiting actions involving Taiwan and other Far Eastern countries. The company concerned, Etri, makes high precision fans for cool-In a deal worth A\$122.85m (US\$78m), the Australian Mutual Provident Society is buying 16.38m CRA shares for A\$7.50

ing computers and other electronic products and is one of the market and the US.

eders for these fans in Europe In 1968, it licensed a small Japanese company, Kondo, to manufac-

ture some models and sell the en-

tire Etri range in the Japanese mar-

In 1983, Minebea, the large Japanese bearings group, proposed acquiring Kondo. As Minebea was also a substantial producer of fans, Etri served notice that its licence to Kondo would be revoked if the acquisition took place. Minebea went ahead anyway

with the acquisition and an agree-ment was reached whereby the Etri licence would be withdrawn and Etri would begin its own manufacturing in Japan. However, according to Etri, Kondo, under Minebea control, continued to manufacture and sell the Etri products around the world under the Kondo name. Minches has denied that it copied Etri machines. Company officials point out that the small fans of many manufacturers all look very

France, the UK and the US on varions charges related to the unsutho-rised use of its patents, copyrights and know-how. The UK and US ac-

tions are still pending, but the French court found in favour of Following a Minebea appeal, its finding was upheld by Mr George Korsakoff, a vice president of the European Patent Office, who was hired as an expert investigator by the appeal court of Versailles. Mr Korsakoffs view was that Etri had

suffered damages of more than Yibn (\$6.5m) as a result of Mine-bea's actions. Meanwhile, Etri had distributed a letter to its customers warning them not to buy Kondo products because they were no longer connected with Etri. Early in 1985 Minebea

ing that the letter was defamatory Etri pleaded for a rapid bearing of the case but, after several postponements, the judge suggested last month that it would be better if the two sides reached a negotiated

Japan's Ministry of International Trade and Industry (Miti), which has been the object of increasingly angry French Government represms in this case, organised a meeting between the two sides last week in Tokyo, but to no avail.

The French authorities point out that Etri is the only French electronics company to have a manufac turing presence in Japan, and its experience suggests that it would be very difficult for other French nies to have confidence in Ja Minebea declined to comment on

the case on the grounds that it was still before the courts.

Summit talks break down

Continued from Page 1 ons in Europe and Asia.

warned that he was taking a politi-cal gamble going to such a summit will now claim that their judgment has been vindicated and that he was hired into a Soviet trap.

Political opponents on the left

will be able to reinforce their attack on SDI and on Mr Reagan's policies towards Moscow since he became

The US President's Republican allies had hoped that the rush to s summit meeting in the weeks be-fore the crucial mid-term elections in November would benefit them at the polls. Now they will have to hope that the failure to reach agree ment here will not rebound on the and help the rival Democratic Party regain control of the Senate.

World Weather

Sheles Es de Jo Bone Sabbuty San Franc Sanday Sanday Sanday Taippi Taipp

Green success in Bayaria Continued from Page 1

win seats in the Munich parliament, scored about 7.5 per cent well up from 4.6 per cent registered four years ago, and looked likely to have about 16 seats in the 204-seat state

assembly. The FDP, which Mr Strauss conspicuously named last night (along with the SPD) as being the losers of the election, gained only about 3.8 to 3.9 per cent of the vote, little more than the party's lacklustre showing of 3.5 per cent four years

Mr Strauss has been engaged in permanent rivalry with Mr Hans Dietrich Genscher, the leading Free Democratic politican whose job as Foreign Minister in Bonn Mr Strauss has long sought to take,

French weigh up delights of **Japanese** wrestlers

By Paul Betts in Paris

CHIYONOFUJI, Onokuni, Konishiici and Co have caused a considerable commotion in Paris since arriving last week with 35 other hulky Sumo wrestlers in two spe-cially fitted Japan Airlines 747s. the beds in the Hotel Nikko have been cracking under the weight of the Sumotoris and especially of Konishiki who, at 229 kilos, can boast to be the heaviest Su-mo wrestler in the 1,500-year-old history of the Japanese national

sport.
The sight of the Sumotoris wobbling down the Faubourg Saint Honore or window shopping at Hermes and Lanvin has stopped Parisians in their tracks and caused minor traffic jams in the

city centre. Still nervous of the recent wave or terrorist bombings, some Parisians took to the streets and others anxiously telephoned local radio stations at the sound on Thursday night of the fireworks display in honour of the Sumo

wrestlers dining on the Eiffel But Paris has greeted the Sumoto-ris, regarded as demigods in Ja-pan, with unaccustomed good humour. Indeed, Mr Jacques Chirac, the conservative Prime Minis-ter and Mayor of Paris, has been visibly delighted by his coup to persuade the great Japanese Su-mo circus to choose the French

capital and the twin city of Tokyo for its first appearance in Western Europe.

Inly on three recent occasions have the Sumotoris agreed to exhibit themselves outside Japan. Before France, they had been to the Soxiet Union Merica and much upside in oil shares. But if capital and the twin city of Tokyo for its first appearance in West-Only on three recent occasions

the Soviet Union, Mexico and New York The historic visit has been a marve of Japanese planning and organi-sation. It took two years to pre-pare and FFr 20m (33m) to pro-mote. But the promoter, the huge Japanese Fujisankei Communications group, is likely to rear handsome rewards for its efforts. The three Sumo immaments this weekend were broadcast to milions of Sumo fans in Japan. The 40,000 tickets to attend the matches in the new Bercy indoor

stadium near the Gare de Lyon were sold out months in advance. For the past few days France has been bombarded with Sumo culture. Morning radio news pro-grammes have given minute details about the dist of stew, rice and beer which enables the Su motoris to attain such awesome Posters of the Buddha-like silhou-

ettes of the wrestiers have been stuck all over Paris. And to explain to an uninitiated audience the art and mysteries of Sumo, the organisers enlisted Leon Zitrone, one of France's bestknown veteran television persononies during the tournaments. Zitrone, who has commented for French television on every royal

wedding or state funeral for years, nearly stole the show on the opening night with his com-He gave detailed explanations of each wrestler - Kirishima, for ex-

ample, was regarded as "the Alain Delon of Japan" and the "chou-chou" of all the girls in Tokyo; another Sumotori drank two bottles of Remy Martin in a day as well as sake and beer. At one stage, the crowd forgot the wrestlers altogether and started chanting "Leon, Leon", which was a change from the "Oles"

shouted each time the Japanes

officials grunted some inco hensible phrases between fights. The Berry stadium was guarded like a bunker for the opening night because of continuing fears of terrorism. Mr Chirac, the governor of the city of Tokyo and countless political and showbosiness personalities turned up While the French Sumo tournament coincides with a heightened interest by Japanese companies and financial institutions in

France, it also comes a few days before Mr Chirac will personally plead the case to stage the 1992 Olympic Games in Paris before the International Olympic Com-mittee (IOC) in Lausanne later this week. Mr Chirac is likely to use the histor

ic Sumo tournament in Paris as a further argument before the IOC judges to select his city. The 38 Sumotoris were enjoying

couple of days of well-earned rest

after their last matches yester day before flying back to Japan. After visiting some of the sights of Paris and taking a trip on a bateau mouche, like all self-respect ing Japanese passing through the French capital they will spend their last night at the Crazy Horse - that is if they all fit inside the famous striptease establishment.

THE LEX COLUMN

Cracks in the Opec ceiling

It is hardly surprising that no one is keen to take a new position in oil, whether spot crude or equities. After the 60 per cent rise in the crude price on the day the last meeting of Opec ministers came up with a temopec ministers came up with a tem-porary pact to cut output, everyone now knows bettar than to place bets. The markets want another crack-filling exercise, with Opec rolling over the agreement for a fur-ther couple of months. Unfortunate-ly for them the more long-term ap-proach of Sandi Arabia and Kuwait

appears to be prevailing and minis-ters are getting down to the essen-tial but potentially explosive task of establishing a rational means of al-locating national output quotas. It

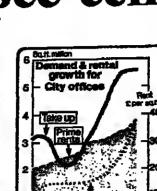
could be a long week in the Geneva The proposal to base quotas on criteria such as population and production capacity is in principle far better than the traditional method of political horse-trading. But as soon as the ministers start to discuss the correct weighting of the criteria the real problems start. Each will want to weigh the criteria

so that his country will be able to produce at its minimum require-ment. And the 13 members comhined minimums as ever add up to more than the maximum that the market will bear over the coming 12 If that debate ends in acrimony then the oil equity market is in trouble. In the UK it is discounting a price of about \$15 a barrel, in the US at least \$18. The most likely con-

crude prices start to fall then the

City property

If there is one outstanding sector of the non-residential property mar-ket at the moment, it must be City of London office space. With the Big Bang looming every banker, bro-ker, insurer, trader and his dog is expanding, whether alone or by joining forces in conglomerates. At the same time, overseas firms are setting up in London or adding to their range of existing businesses. As a result, prime rents have risen sharply in the last couple of years.



The demand for space has been such that the City's imaginary boundaries have widened to include

areas north to Finsbury Square and south to London Bridge and rents in the fringe areas have more than doubled since 1984. The arrival of City estate agents Baker Harris Saunders on the stockmarket is no

In real terms, rents are still some way behind those reached in 1973, and there is not a bear of the market to be found. Cries of £50 a square foot by Christmas may not prove unreasonable in a market where practically all new space appearing in the next year or two al-ready has tenants. It might be 1989 before supply catches up with de-mand, by which time reuts might have reached £70 or £80. There is

currently around 55m to 60m square feet of office space in the City area with plans for perhaps another 10m square feet of new space.

There are strong arguments in fa-

very high level of stocks will add crushing downward pressure. and a firm like Nomura could fill a lending, the Bristol & West has few floors on its own if it really set probably decided that there is its mind to broking London shares. Among firms already here, the squeeze expense ratios by sharing move by many partnerships into corporate hands may well mean a more lavish approach to spending on property, especially as many because it worth paying for the image of wealth reflected in glass palaces. And the price of the space highly
West has lending, the Bristol & West has decided that there is something to be gained in trying its retail overhead; confectionery stands and televised racing are formed works and Laing & Cruickshank does know something of wealth reflected in glass palaces.

And the price of the space highly
West has lending, the Bristol & West has probably decided that there is something to be gained in trying to be gained in trying to squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by many partnerships into squeeze expense ratios by sharing move by sharing move by sharing move by many partnerships into squeeze expense ratios by sharing move by shari And the price of the space highlypaid employees occupy is still less than their salaries. If a comfortable office can persuade them not to leave for pastures new, it is worth

Even in the current suphoria, there is a sneaking feeling that it will all end in tears. What price City offices if the Big Bang proves to be a damp squib? Unless there are more newcomers than casualties, the supply/demand equation will quickly turn. Meanwhile, although there is a great shortage of space in the City itself, there is plenty of room for firms which follow the first emigres to Victoria and the West End. Those which can be per-suaded to move to the new Canary

suaded to move to the new Canary Wharf, despite its apparent unpopularity except for back-office staff, will eventually find a couple of years supply of space there.

Landlords might also discover that buildings designed for the 1980s are as unwanted in the 1990s.

as the cramped and sweaty towers of the 1960s are now. If 40,000 square foot trading floors go out of fashion, only those buildings where atriums can be built to bring light

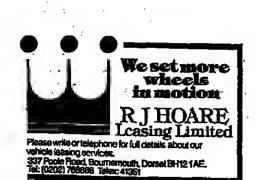
into the centre can be split into of-fices. One day the City could be a ghetto of glass houses. **Bristol & West** Much of the £1.5bn diverted into the TSB issue from building society accounts will, no doubt, return disappointed; but one society has de-cided that if it cannot beat the stockbrokers, it will join them. From the start of the next year, once the Building Societies Act opens the way, the Bristol & West

will be renting out space in its branches for Laing & Cruickshank to sell to the public equities, pack-aged insurance, unit trusts PEPs

vonr of the market continuing to and what have you.

boom. If London is to be the European financial centre, rivalling New to the stockbroking fraternity to boom. If London is to be the European financial centre, rivalling New York and Tokyo, there are still plenty of potential players yet to arrive, picked over by the banks. But as The admission of foreigners to the Stock Exchange has hardly begun pensive way of funding mortgage and a firm like Nomura could fall a feeding, the Bristol & West has few floors on its own if it really an exchange has been proposed to the proposed to the stockbroking fraterinty to plunder a deposit base already to plunder a deposit base already an exchange has been proposed to the proposed to stands and televised racing are West may attract extra customers while still retaining the liquid ele-ment in its existing customers' port-folios. If building societies are hedg-ing against a bull market, things cannot be that bad – or can they?





SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday October 13 1986



INTERNATIONAL BONDS

urrency concerns slow dollar deals to a trickle

HOW DO YOU persuade investors week but even they met a mixed reto buy a new dollar-denominated ception.

on the other hand, rapidly sank to vestor was a less elusive animal. Issues for CNT, the French telecomSwiss frames.

downward trend of short-term
interest rates in the middle of last Eurobond when continuing concern

Japanese institutional funds have underwriters. Lead managers of of-failed to begin buying again in size, ferings for prestige borrowers, and able in the secondary market but even though the end of their half-ious to secure a further mandate, they seem enthusiastic about offershore-US, and Middle Eastern demand is only sporadic and can readily be satisfied by the cheep bonds traded differently. For instance, Bankers Trust launched a \$100m bond for User and Variable.

in a new long-term dollar bond. The holm on Friday. Both were rated 10-year area of the market is, in the triple-A, with Monday's Investors words of one new issue manager, a Service confirming this rating for

4. 22. 1 5 Week

7.000

The way to entice investors into a deal is to make sure it has a short distinction of being hid at a dis-

Some did find ready buyers but underwriters.

The difference lies in the pricing.

about the currency is reducing de-mand for such instruments to a trickle? elsewhere the issuer had to rely on lead manager support to keep the bonds quoted at a profitable price to

narket. bond for Italy and Yamaichi No one, dealers say, is interested launched a \$100m deal for Stock-Italy during the day on Friday. But Italy's bond achieved the rare

life and is for a high-quality, prefer-ably state-backed, borrower. A crop of such deals was launched last count of 1% per cent to issue price, times have put and end to "cut-healthily within its 1% per cent fees, throat" pricing, which was common in early trading. Stockholm's bond, earlier this year when the end-in-

Highly selective investors see no reason to buy new bonds when ings providing obvious value.

Italy's issue was priced to yield a

hefty 83-basis point spread over US Treasury bonds at launch, and at a discount, increasing its capital gains potential. Stockholm's bond, in contrast, was issued at a slim 36 hasis points over US Treasury bonds, which

seemed aggressive, even taking in-

to consideration the issue's rarity

In most cases, however, hard

ns entity, and for the EEC were described as "tight" by some dealers last week. But even they admitted they were within 10 basis

of secondary market levels. The dollar sector has always been the staple diet of the Eurobond market, so the downturn in demand for the paper has serious implica-tions for those houses still concentrating on dollar placement. On the other hand, those with di-

versified placing power stand to benefit at other houses expense. Credit Soisse First Boston, for instance, with proven placing in London, West Germany and Switzer-land, is far better placed. This was demonstrated last week when it was able to handle the whole of a bond for Elders DXL, denominated

The floating rate note market,

which saw a trickle of deals last week, is polsed for a recovery, some dealers say. Trading in this market is still ner-

vous, after a shake-out last month when prices shed 50 basis points in a day. But investors are now picking up bonds that have fallen to atdon interbank offered rate (Libor) principal repayments. are going down well.

The D-Mark market continues to be abandoned by bond investors, who have been continously frustrated in their hopes of lower interest week in low turnover.

The Swiss franc market, on the mood, despite an interruption in the

Both Elders' convertible bond and a new fixed-rate deal for Australia. met strong responses.

The Swiss Banking Association has told holders of SFr 300m of bonds issued by Dome Petroleum, the troubled Canadian energy com-pany, that they have little choice tractive discounts, and new issues but to comply with its request for a priced to pay interest at above Lon-temporary waiver of interest and

The comment came in a letter sent to Swiss banks on Friday by the association's commission for the protection of Swiss assets abroad, although the commission rates. Prices edged downwards last stressed it was not a formal recom-

Swiss franc bond holders have "jumbo" four-tranche convertible other hand, is in more optimistic until October 24 to reply to Dome's

MONTEDISON, the Italian chemi- the acquisition," it said. cals group which has been trying

over Fermenta deal

Montedison protests

BY JOHN WYLES IN ROME

for several months to negotiate a takeover of Fermenta, the Swedish chemicals and biotechnology comchemicals operations to Monsanto of the US.

f the US. However, the highly impatient In a letter to Fermenta making tone of the communication and the clear its opposition to the sale, prospective disappearance of at-Montedison has asked to be pro-tractive assets to Monsanto will vided with full details of the deal to strengthen doubts that the Italian be able to evaluate the impact on company will pursue its objective the overall strategy which led it to for much longer. nnen negotiations with Mr Refaat men negotiations with Mr Refaat El-Sayed, Fermenta founder and In a letter to Montedison the Fer-

The Italian company says its rea-sons for seeking control of Fermen-ta remain unchanged – to bring together the bulk pharmaceuticals, animal health products and agro-chemicals interests of the two

The possible disposal of one-third would jeo of Fermenta's sales "could represent a diminution in the value of ish group.

The letter requests clarification on all these points. It does not, however, threaten to pull out of the ne-gotiations, which are based on Mr pany, has protested against last El-Sayed's commitment of four week's sale of Fermenta's agromonths ago to sell 76.5 per cent of months ago to sell 76.5 per cent of Fermenta's voting shares.

menta board has refused to divulge the kind of information the Italian group has requested.

It is thought that the board feels that Montedison is bidding for only a partial stake in Fermenta and that to release the sensitive commercial information requested would jeopardise the interests of minority shareholders in the Swed-

EURONOTES AND CREDITS

United Airlines follows trend with sights on \$750m facility

BY PETER MONTAGNON IN LONDON

UNITED AIRLINES, the US hold-quarter of the total facility. % per rope, italy's instituto Mobiliare Italing company which owns Hertz car cent on drawings up to half the total iano achieved what are believed to rentals and Westin hotels as well as and % per cent on larger drawings. the airline that bears its name, came to the Euromarket last week a market that continues to show ev-

The deal is yet another example of how US companies are extending their activities to the Euromarket and will replace a domestic loan facility used to back up commercial paper. It may also serve to back up the issue of Eurocommercial paper

nying standby credit will bear a tural Gas Commission also looks of % per cent on drawings up to a many borrowers, especially in Eu-margins in that country, its deal sation fee.

Initial response was positive from for a \$750m loan facility led by ery sign of appetite for business Chemical Bank. the finest of terms

look rich compared with the thin that fees available on recent deals for Terms include a maturity of five \$300m recent facility attract sub-

iano achieved what are believed to be about the finest terms ever for an Italian state borrower on a \$100m, eight-year credit launched last week through First Chicago. This is a chib deal carrying a mar-gin of 5 besis points for the first The terms on United's facility three years rising to 7% points after

Armar, the private sector Spanish motorway concern, launched a even these are passing through syn-dication with the greatest of ease. Chase Manhattan which carries a Not only did Credit National's margin of % point and will refinance previous credits led by Manuyears and an annual facility fee of scriptions of \$600m but also Ire facturers Hanover and Merrill 8% basis points for the first three lands \$400m deal was increased last Lynch. The funds will be drawn in 8% basis points for the first three mind was bracked to spend to spend the years rising to 10 basis points after week to \$500m. Elsewhere the yen, D-Marks and Swiss francs, wards. Drawings on the accompaterms both deals seem assured of a

was understood to be finding a ready home. Anmar is also a name that appeals because it is a highly profitable concern. Appetite for Spanish paper is also running at a high level in the Eurocredit market because of the high level of debt repayments this year.

However, Barclays Bank has been less fortunate with the \$200m facility launched earlier this month for Bank of New Zealand on razorfine terms. Following market resistance it has had to revise the facility fee which was originally set at 3% basis points for the full five year life of the deal. This will now start at that level but rise to 5 basis points after the first two years.

In a telex to potential particimargin of % per cent over London set for an increase.

Set for an increase.

fairly easy ride. IMI is a popular pants Barclays also said it was introducing a 3 basis point front-end downward pressure on margins for has been some resistance to low fee and a slight increase in the utili-

Last week's launch by Canada Farm Credit Corporation of a Canadian dollar denominated comme cial paper programme seems to b bringing other Canadian borrower out of the woodwork. Nova Scoti Resources has appointed CIBC, Citicorp and Merrill Lynch as dealer on a US\$110m programme. Other new Eurocommercial paper des last week also included a \$300rd programme for Transcontinenta Gas Pipe Line Corporation of the US on which Citicorp, CSFB and Swiss Bank Corp will act as dealers.

Elsewhere the Development Fund of Iceland is raising \$75m through a 10-year credit led by Banque Paribas, Deutsche Bank and Scandinavian Bank. The deal bears a margin of % for six years rising to % after that. Interbance, raise a \$14m credit carrying a mar- 6 years respectively.

			URNOVE	R
		HOYER (em)	
Prices	Cy Market Straights	Com	FRN	Othe
U8\$	2,272.5	11,3	2,349.7	2,963.1
Prev	4,118,1	940.2	3,295.3	3,002.2
Other	1,200,4	0,0	950.5 400.2	182.5
Prev		_	432.2	96.5
Secos	dary Market			
HES Prov			12,437.5	4,930.1 5,572.7
Other	11,532.8	84.1	L073.7	4,410.5
Prev	13,002.6	70.6	40648	4,298,5
	Cadal		clear	Total
UGS	15,702.1	24,5	21.6	50,323.7
Prev	17,441.8	43,5	36.3	80,975.1
Other Prev	11,062,0	16,3	57.3 53.3	26,790,3
104	11,074,2	1.3,0	02.5	A, 133.0

gin of 7% basis points for the first four years and rising to 10 points afthe Italian long-term credit bank, ter that. The deal is divided into two has mandated Chase Manhattan to tranches maturing in 8% years and

Week to October 9 1986

Perstorp profits rise in line with forecast

PERSTORP, the Swedish specialty neering and construction induschemicals and plastics group, retries, showed a 40 per cent increase ported a 42 per cent increase in in sales from SKr 275m to SKr profits for the financial year ending 385m.

August 31. The result is in line with Sales in the compounds division the company's forecast in June des- which makes moulding compounds pite increased development and for the thermal plastics industry, rose 35 per cent from SKr 412m to

Profits (after financial items) SKr 555m. The company was able reached SKr 345m (\$50.2m) against to resume deliveries to Iran this SKr 331m in the 1984-85 financial year.

Sales totalled SKr 3.93bn, up 13.8 per cent rise in sales to SKr 465m per cent on the last financial year's due to increased deliveries to the figure of SKr 3.452bn, with strong sales increases in the "chemitec" and compounds divisions. Perstorp Chemitec, which profaced with a weakening market in duces binders for mechanical engi-

automotive industry and an acquisition in the US. Sales in electronics stagnated

Perstop components showed a 27



Kingdom of Sweden

U.S. \$250,000,000 7 per cent. Bonds due 1991

Swiss Bank Corporation International Limited

Bank Brussel Lambert NV Bankers Trust International Limited Banque Paribas Capital Markets Limited Credit Suisse First Boston Limited Enskilda Securities

Morgan Guaranty Ltd Nomura International Limited

IBJ International Limited

PKbanken ²

Shearson Lehman Brothers International Union Bank of Switzerland (Securities) Limited

Bank of Tokyo International Limited Banque Nationale de Paris Citicorp Investment Bank Limited Deutsche Bank Capital Markets Limited Goldman Sachs International Corp.

Morgan Grenfell & Co. Limited Morgan Stanley International Orion Royal Bank Limited

Salomon Brothers International Limited Svenska Handelsbanken Group

S.G. Warburg Securities

This announcement appears as a matter of record only.

<u>NEW ISSUE</u> These Receipts having been sold, this announcement appears as a matter of record only.



Banco di Santo Spirito S.p.A.

(incorporated with limited liability in the Republic of Italy)

London Branch (licensed deposit-taker)

U.S.\$200,000,000

Floating Rate Depositary Receipts Due 1993

issued by The Law Debenture Trust Corporation p.l.c. evidencing entitlement to payment of principal and interest on deposits.

Merrill Lynch Capital Markets

Banco di Roma BankAmerica Capital Markets Group Bankers Trust International Limited CIBC Limited Crédit Lyonnais Daiwa Europe Limited First Chicago Limited Goldman Sachs International Corp. Irving Trust International Limited Kyowa Bank Nederland N.V. Mitsubishi Trust International Limited Nippon Credit International Limited Otion Royal Bank Limited Saitama Bank (Europe) S.A. Takugin International Bank (Europe) S.A. Union Bank of Switzerland (Securities) Limited

Banco di Santo Spirito (Luxembourg) Bank of Yokohama (Europe) S.A. Chase Investment Bank Citicorp Investment Bank Limited Credit Suisse First Boston Limited Dai-Ichi Kangyo International Limited Fuji International Finance Limited E F Hutton & Company (London) Ltd. Kidder, Peabody International Limited LTCB International Limited Samuel Montagu & Co. Limited Nomura International Limited Prudential-Bache Securities International Sanwa International Limited Tokai International Limited Yamaichi International (Europe) Limited

September 1986

Interest-rate optimists raise their heads

THE US credit markets traded in a narrow range last week, but the general consensus was that last month's inflation-inspired jitters have been over-taken by a cautiously optimistic mood, Fixed-income traders are once again focusing their attention on the possibility that the Federal Reserve may ease

The only economic statistics of any significance last week were the September producer price figures. The 0.4 per cent increase, which translates into s 4.7 per cent annual growth rate, was slightly higher than expected, and this factor, expected, and this factor, together with a weaker dollar, helped push long-term government bonds lower on the week. By Friday evening, the widely watched US government long watered of government long bond, Treasury 74 per cent due 2016, was being traded at 95 h, giving a loss of a point-and-a-half on the week and increasing long-term government bond yields by some 13 basis points to eround 7.66 per cent. At the shert end of the market, three-month Treasury hill yields were virtually unchanged at a shade ebove 5 per cent.

	Lest		4 wks	— <u>12-</u> m	
	Friday	āg o	āgo	High	Lon
Fed Funds (weekly average)	5,69	6.12	_ 5.8 \$_	0.91	6.5
Three-month Treasury bills	5,06	5,09	6.17	7.40	5.0
Six-month Treesury bills	5.12	6.18	6.38	7.41	5.0
Three-month prime CDs	5.67	5.67	5.77	9,06	6.4
O-day Commercial Paper	6.65	5.73	5.75	8.05	5.8
O-day Commercial Paper	5.58	5.65	5.67	7.95	6,4
		Change In week	Yield	1 week	4 wks
Saven-veer Tressury	700%	- 4	7.14	7,11	7.4
Seven-yeer Treasury	113%	- 14	8.01	7,11 7,87	8.20
O-year Treasury	113% 95	- 1½ - 1¾	8.01 7.68	7,11 7,87 7,53	8.20 7.70
O-year Treasury	113½ 95 N/A	- 1½ - 1¾ N/A	8.01 7.68 8.90	7,11 7,87 7,53 8,93	8.20 7.70 6.75
O-year Treasury	113% 95	- 1½ - 1¾	8.01 7.68	7,11 7,87 7,53	8.20 7.70

The blg surprise in the Chicago, is of the opinion that money markets last week was last week's dip in the Fed Funds the behaviour of the Fed rate was purely technical and Funds rate. The average weekly fed Funds rete fell by 33 basis points to 5.75 per cent — its lowest level since August 1977. For e period it was allowed to trado below the 5½ per cent US discount rate. Was the Fed already easing? some analysts were asking.

Mr Sam Kahan, chief economist at Kleinwort Bensou Government Securities in rate was purely technical and does not reflect any change in official policy. The available evidence still shows that the red is targeting a funds rate of 5½ per cent, says Mr Kahan.

Ms Chris Mandell, an economist with Barclays Bank in North America, agrees that the recent performance of the Fed Funds rate has been distorted by technical and does not reflect any change in official policy. The available evidence still shows that the Fed is targeting a funds rate was purely technical and does not reflect any change in official policy. The available evidence still shows that the Gondan and the subject of the still shows that the Gondan area of the subject o

on last week's soft funds rate wait for at least another appear to be premature." That said, there is a growing feeling in the US credit markets that the Federal Reserve will trim its discount rate before year - end. "With economic growth modest and inflation moderate another 50 basis point drop in the discount

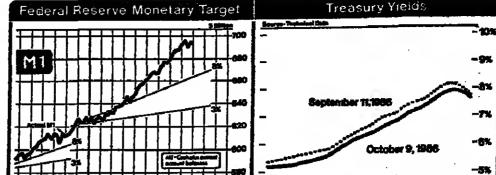
rate is likely as early as November," says Mr Kahan. Mr Mitchell Held of Smith Barney is of a similar opinion. "We do not believe that the current US economic data is weak enough to justify a unilateral rate cut at the present time. But we do believe that a Japanese rate cut is possible for the end of November." He notes that the US credit markets have taken on a more bullish mood and expectations of a discount rate cut "are now becoming common-

With the mid-term congressional elections taking place on November 4 and a Federal Open Market Committes meeting due the following day, the general feeling is

tions and says that hopes of an that any further moves on the early discount rate cut based US discount rate will have to month. For the moment "yields on

the long-term Treasury bond seem destined to remain in the 7½ to 7½ per cent range, at least until investors get a better reading on trends in the economy, inflation, the dollar and the outlook for Federal Reserve policy," says Aubrey G. Lanston in its latest market

IS material points was First the speed with which their being securities backed by cheap general Motors car loans. It proved so popular that it has been increased in size from largest underwritten offering in thistory of the US capital markets. It is expected to be markets, it is expected to be markets and is another wealth of sconomic data for increasing securities at an annual rate of jump by 3 to 4 per cent, bloated by the surge in cut-rate finance by the



worrying sign for US commercial bankers, who are growing increasingly concerned at the speed with which their traditional high quality husiness is being poached by securities used in the surge in cut-rate finance is being poached by securities. In recent months they have well as an annual rate of around 1.8m. "If we were to by the surge in cut-rate finance is the housing sector bas not only the surge in cut-rate finance in the housing sector bas not only the surge is supported by the surge in cut-rate finance in the housing sector bas not only the surge is supported by the surge is cut-rate finance.

FT/AIBD INTERNATIONAL BOND SERVICE

UK GILTS Flow of taplets to ease way for Big Bang

FRIDAY'S flow of a record 16 new issue on offer—it did little the form of further production £50m taplets right across the to turn attention away from market bad tongues wagging in more pressing problems. dealing rooms on an otherwise steady day, when three-month interbank rates eased by about a quarter point. For the second week running, the Bank of England and the discount houses failed to see eye to eye on retes for new Treasury bills, with the result that no paper was issued. Once more, the Bank indicated that it was not prepared to see UK interest rates rise.

The taplets, described as "technical" by the Bank, were designed to create extra liquidity to ease the market over the Big Bang. Releasing small amounts of e spread of stocks should belp Britain's 27 new primary dealers over the problem of "cross books" (chain transactions which ite up liquidity) when the markets are liquidity) when the markets are liberalised later this month. However, while the new tap-lets gave the market an interestthe dealer who was so confident no new paper would be issued that he punted £5 against each

Topping these is still sterling.

After one of the more wohbly weeks for the more wondy weeks for the pound, gilts market gurus are hoping for a sign of direction in the Government's exchange rate policy.

Those seeking enlightenment from Mr Nigel Lawson's remarks to the Conservative Party conference last Thursday had monably hear cirching at

had probably been clutching at straws. Yet many in the gilts market hope this week's Mansion House speech will be mansion House speech will be the occasion for comments of much greater substance. If not, the implications for the pound could be very serious, triggering a much greater loss of confidence. As matters stand, the market is et hest edgy.

quota agreements from the Organistation of Petroleum Exporting Countries; or interest rate cuts by the US and

The Chancellor himself had a band in stoking up the EMS fire in his remarks last Friday that in his remarks last Friday that the arguments against Britain joining were weaker now— though he also argued that the time to go in was still not ripe. If Britain does join, that will provide a substantial fillip to the gilts market, at least for a couple of months couple of months.

the occasion for comments of much greater substance.

If not, the implications for the pound could be very serious, triggering a much greater loss of confidence. As matters stand, the market is et best edgy.

Opinion differs between those expecting an imminent base rate rise of 1 to 2 per cent this week; come more meaty comments ebout full British membership of the European Monetary System or (the minority view) outsids help in courselved the months.

Although there is no shortage of bome-grown pundits, Mr Henry Kaufman, chief economist at Salomon Brothers in New York, crossed the Atlantic to add his contribution late last week. Asked whether he stood by his view, made some 10 days ago, that UK short-term interest rates were set to rise by 1 per cent, Mr Kaufman said: "There is no shortage of bome-grown pundits, Mr Henry Kaufman, chief economist at Salomon Brothers in 2 and his contribution late last week. Asked whether he stood by his view, made some 10 days ago, that UK short-term interest rates were set to rise by 1 per cent, Mr Kaufman said: "There is couple of months.

number to crunch on in the next few days. Among the more important figures due are those for unemployment and for the public sector borrowing requirement on Thursday, and

After last week's better than After last week's better than expected sterling M3 figures, which had been partly discounted in the market, a fairly befty rise in the PSER is being predicted. Mr Richard Jeffrey at Hoare Govett reckons on e £20n increase. That rises to £3.1bn for Mr Gavyn Davies et £3.1bn for Mr Gavyn Davies et £5.1bn fo Goldman Sachs, and a high £3.6bn for Mr Simon Ward at Lloyds Merchant Bank,

On the inflation front, an upturn of between 0.4 and 0.6 per cent is on the cards, according to a number of economists. Higher petrol prices dast month and a dip in inflation this time last year are

Haig Simonian

Calesa Nat En 113, 95... 125
Canada 105, 89 100
Cas Inc 113, 92 100
Centrust S & L 10...125m
Chassbrough 12 89 ... 100
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Chicoro 10 89 200
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Politicians back Fiat takeover of Alfa Romeo

BY JOHN WYLES IN ROME

ITALIAN political parties, trade try's number two car producer even under wraps. though Fiat may need another 10 days to finalise its takeover propos-

Fiat executives and engineers spent most of last week at Alfa's headquarters at Arese studying the company's books and production ar-

When it pledged the week before last to improve on the Ford proposals, Fiat indicated that its bid would be ready this week. But Mr Gianni Agnelli, the company's chairman, shared by a senior Republican sposaid at the weekend that the bid would now be passed to IRI-Finmeccanica, the state holding company which owns Alfa, "within 10 issued to the expense of the national car industrial."

The final choice between the two bids will be made by the Government on advice from IRI-Finmeccanica which has promised to reply to the Ford offer by November 7.

By contrast, a poll of Alfa work—are carried out for L'Espresso distant to be joint exploitation of the sporty and high performance models of Final's Lancia subsidiary alongside those of Alfa.

ITALIAN political parties, trade unions and Alfa Romeo workers are tions that its proposals will be supering to line up behind the right roll Ford and Flat bids for the country's number transfer are supering to line up the larger company's already dominant hold on the Italian car meantime, are being kept firmly market. National union leaders,

Assuming at least an equivalence between the two bids, Italian politicians are clearly leaning in favour of an "Italian solution" for the trou-

In a survey to be published by the weekly magazine L'Espresso, Mr Renato Aftissimo, the Liberal Party leader, says: "It would be better to favour Fiat as an Italian Italian company." This point of view is

Fiat has said that it will be seeking an immediate 51 per cent stake in Alfa and, like Ford, implied that it will run the company's two pro-duction plants at their full capacity of 400,000 units a year, as against

however, are leaning strongly in fa-vour of Fiat, particularly those in the non-communist CISL and UIL

their current output of around 190,000 units. Demand for its cars is running so strongly that Fiat believes it can transfer production of some of its best selling models to Alfa while at the same time developing the small-er company's sales potential.

AMD sheds 500 jobs as loss rises

ADVANCED Micro Devices (AMD), the US Silicon Valley chip maker, has made 500 workers redundant, ending its 10-year record of full em-

The company said it was forced to take this action because of continging poor business conditions

"For the two years of this reces sion AMD has endured substantial losses while maintaining a no re dundancy policy virtually unique in the industry, said Mr WJ Sanders,

duced AMD's workforce by about and large losses.

900 people since the beginning of the first quarter ending June tha fiscal year. It now employs 30, AMD reported losses of \$28m. about 12,800 worldwide.

US bank opposes downgrading

MOODY'S, the US credit rating non-performing loans had grown agency, has lowered the debt and considerably, partly because of the preferred stock ratings of Manufao-deterioration in its large energy

turers Hanover Corp, holding company for the fourth largest US
banking group.

and property portfolios.

Manny Hanny said it strongly disagreed with the downgrading bebanking group.

It also lowered the long-term debt cause it did not take fully into acratings of Manufacturers Hanover count "the enormous increases in Trust, the group's lead bank. The action affects about \$10hn worth of securities.

capital, continued increases in earnings and management's consistent and timely identification and recog-

Insurance settlements for Manville

By David Blackwell in New York MANVILLE, the fibre glass, forest products and speciality products group which has been operating under the Chapter 11 bankruptcy code since August 1982, has reached agreement with five more insurance groups for payments totalling more

The group sued 27 insurance companies in March 1980 seeking a court ruling on their obligation to pay for losses suffered by Manvilla arising from asbestos-related health claims.

Tha latest settlements are conditional on final approval by the bankruptcy court of a reorganisation plan for Man-

Malayan Banking denies heavy foreign loss

MALAYAN Banking, Malaysia's interest on non-performing largest bank, in which the Government owns a majority stake, has denied incurring heavy losses on its international operations, and has reported that for the year ended June, it made an after-tax profit of 52.3m ringgit (US\$20.1m).

The bank noted that while the profit was 57 per cent lower than that of the previous year, the figure was derived after the group had "acted prodently both in the suspension of succession of the college of that there had been non-performing ledged that there had been numours that the bank had incurred losses as high as incurred losses including the bank's share profice. Had alkayan Banking officials estimated that Malayain Banking officials estimated that Malayain Banking officials estimated that Malayain Banking officials estimated to 8.13bn ringgit, and less than 10 per cent of the amount was incurred losses as high as incurred losses as hig

Demand for Canadian US dollar notes

BY BERNARD SIMON IN TORONTO

reorganisation plan for Manreorganisation plan for Manville, which has court cases
pending in San Francisco
against seven other insurance
companies.

State was castiled

begun issuing short-term us
begun issuing short-term us
dollar promissory notes as an
alternative to bank credit lines tive said that interest in the
bills from institutional investors in North America and
beyond had grown markedly

THE Canadian Government has Sachs, Dominion Securities and maturity of 270 days and are normally available in amounts above \$1m.

They provide a cheaper form of short-term borrowing in US dollars than the large bank some of the asbestos-related claims against the company, at the end of June there were 17.220 claims for a total of for the first time last week Ottawa has so far issued about 12.7bn outstanding. Under its proposed reorganisation plan, and two Canadian dealers, scheme for the first first may be converted into Canadian dollars instead of being a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a group of three US \$150m of the bills, sithough a gramme may be converted into Canadian dollars instead of being added to foreign exchange reserves.

The bills have a maximum reserves.

Air France sees decline

AIR FRANCE, the state-owned airline, expects to make a profit of between FFr 500m and FFr 700m (\$77m-\$107m) this year, after a profit of FFr 728.9m in 1985 and FFr 533.3m in 1984, Reuter

	Amount		Av. He	Coupon			Offer yield
Berrowers		Meturity	Assta	%	Price	Book Russer	%
U.S. DOLLARS						•	4
Eleana Corp. ¶‡	70	1991	5	344	100	Tampichi lut. (Eur)	3.75
ICM P'automicals 5‡	75	2001	10	67/4	100	J. H. Schrader Wagg	6.758
WHK Spring 12.2 Tokai Bunk §	58	1931	5	3%	190	Nomera Int.	3.37
TOK Corp. ¶‡	188 150	2001 1991	15	(2%) 3%	100	Tokai Int.	3.750
Shinesawa Fuel 9	150 48	1991 1991	5 5	(374)	159 159	Hemors int. Tamaichi int. (Eur.)	3.79
SEC Fig. 1	150	· 1998	ă	7	18172	SBC1	5.671
Becob Fig. ‡	100	1991	Š	74	18134	UBS	7.32
Mass Trens. Rivery (a) 111	75	1991	Š	Ve	108	Peribas Asia	
Angen ‡ Int. First ¶‡	125	1993	5 7	i	18174	EBC Arters	7.66
int. Pinis 11	75	1993	7	374	100	Morgae Stanley Denva Eur.	3.25
Holder Cam 4	40	1991		(33/4)	100	Danve Err.	•
Banco Hispano Am. (b) †‡	188	2986	29	Va	198	Commerzbenk	
Nippon Paint ¶	58	1991	5	(3%)	100	Mike Sees.	
Marabasi Int. Fin. ‡	38	1991	. 8	7%	181%	Yesselchi	7.338
Fujian Inv. ‡ AMZ Bushing Corp. (c) †‡ Elders UK S‡	50 300	1996	10	15-	181	First Chicago Asia	7,852
Fides MV ST	175	perp 1.998	12	15hp 51/4	100 100	Morges Gueranty CSFB	8.256
Drazdner Bank 9 11	250	1991	' 5	(0)	115	Dresdner Bank	8,204
Oresdeer Basik ¶†; Belgism Telephone ‡	100	1990	Ă.	774	100%	Chase Manhattan	7.929
CNI 1	150	1951	5	7	1801/2	Secuel Montagu	6,870
Belgism Telephone ‡ CNI ‡ EEC ‡	100	1991	5	7	100%	CCF	6,818
Table 1	100	1981	5	7	9974	Bankers Trust Int.	7.184
City of Stockholm ‡	180	1951	5	71/a	1815%	Ymmaichi int.	8.732
Columbia First Fed (f) †‡	150	1996	10	V16	108	Salemon Bres.	-
AUSTRALIAN DOLLARS							
Hessische Landesbenk ‡ Electrolox ‡	30 58	1891 1998	 5	1334	18114	Hombros Book	13,391
Aus. Ges Light Co. ±	50	1988	31/2 3	14½ 15	101 101	Morgan Steeley	14.029
	- 30	1200			101	Ocion Royal Bank	14,565
CANADIAN DOLLARS Mipport & T. ‡	200	1951	5	934	108%	Seldment Secks	9.522
D-MARKS							
E18 ‡	388	1995	10	27/s	581/4	Bestsche Bank	5.228
Elders UK 51	200	1998	12	3	100	CSFB	3.080
Drusdner Bunk ‡ Union Bk. Fidend ¶‡	500	1991	5	5	107	Dresdner Bank	3.452
	150	1993		374	100	CSFB	3.750
STERLUNG Enlary UK 9‡	48	1998	12	8	180	CSFB	8,080
SWISS FRANCS							
Y-E Data **\$‡	60	1992	_	174	100	UES	1,254
Michimo Corp. **5‡	50	1952	_	11/4	100	Hundelshank	1.250
fuzukawa Garp. **¶‡	- 88	1951	-	21/4	198	Crestit Seisse	2.250
nt. Hydro Gorp. 8 Australia 🕽	3Buex	1994	-	(5%)	(100)	Bge Gazzwiller, K. B.	
Mastrana I	3 90	1998 1951	Ξ	5	108	UBS	5.008
Tuesa Battery T	200	20 56	Ξ	(21/4)	100 100	SBC UBS	5.250
Royal Trest ‡ Royal Trest **‡	108	1993		43/4	188	HRS	4.758
Standard DE Diás +	180	1993	_	31/4	188		3.125
Sdare IN ST	200	1998	_	21/2	100	Morgan Guaranty (Swiss) CSF8	2.500
Dalest Characted 17 t	188	1991	5	(2Va)	(180)	BBS	
Eders UK &† Daical Chemical ¶‡ Sessiti Glass Tokyo **‡	28	1891	5	(21/4) 47/a	100	Bank Lest	4.875
BTZ ¶‡	155	1997	18	41/	100	Credit Suisse	4.125
/EN							
Missan Motor ‡	1 the	1993	7	81/2	117%	Dawn Eur.	5,400
City of Gothenhary ‡	Slan	1991	5	81/2	11544	Witten He. Int.	4,980
DIÁC ‡	10ba	1991	5	(d)	1811/4	Daiwa Est.	
RENCH Frames Fig. for Dunis Ind. 1	490	1981	8	81/2	99%	CEF	8.532
OUTCH GUILDERS							
lasse Plan Hold. 🖠	50	1991	5	5	991/2	Sk Mees on Hope	0,119

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Kleinwort Benson Limited The Nikko Securities Co., (Europe) Ltd.

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10 October, 1986

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Britannia Building Society

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Sharp midterm rise

Hunter, furniture manufacturer and property developer, reported a sharp rise, from £497,000 to £722,000, in profits before tax for the six months ended Juns 30 last. The performance since the half-year continued to be satisfactory and the directors were confident that the full year would not be from £13,50m to make the first six months.

and the directors were confident that the full year would produce another excellent result.

Turnover in the first six months rose from £13.58m to £19.65m. Cost of sales was

distribution business, in ticular, performing well expenses were \$2867,000 ticular, performing well (£835,000). Other operating in the early part of the year, income was £138,000 (£52,000) was rapidly being integrated leaving the operating profit at into the group and already £1.16m (£702,000).

Tax charge was £181,000 taxing earnings per first order.

making a positive contribution.

Abco Holdings, a Gibraltarbased property company was progressing well with the development of the Casemates triangle site. The interest down Holdings string of

Lorlin growth accelerates

expenses (£835,000).

in Hunter's profits

The price of success—and failure

THE immense costs of staging takeover blds in the UK is still a subject which prompts a nervous reaction on both sides of the City/Industry divids. The acquisitive industrialist

is usually embarrassed that his strategic ambitions have cost so much to implement. He is fearful lest he should be unable to justify the expense to his sharebolders and a little resentful that he appears to be able to exert so little influence

As for defenders, they are usually so traumatised by a bid they will agree to pay almost anything to rid themselves of a

The investment institutions, merchant banks, brokers and other professionals in the City, who benefit from the under-writing costs and fees, are naturally anxious that the smooth operation of their gold-mine should not be subjected to

Nevertheless, even if it is accepted that takeovers concontribute to a more efficient ecortwny, it is not unreasonable to ask whether the bid costs of over £500m in one year alone could not he put to better use. Mr John Kay, professor of industrial policy at the London Business School, points out that the quality and depth of management training could, for example, be transformed for bids that sum. The LBS after all

example, be transformed for that sum. The LBS after all costs a mere #8m a year.

How is the figure of £500m arrived at and how is its composition changing?

A random selection of a dozen of the largest bids—failed as well as successful — over the last 12 months highlights say. t 12 months highlights sev-

eral key points.

First, the higher the value of the bid the higher the cost -but in most cases the costs fell, proportionately, as the bids got larger. That is because certain takeover costs such as printing offer documents and some professional fees are usually the same for a £200m bid as for a £2bn bid. The huge

achieved

PRE-TAX PROFITS

1982-1986 £'000

£5,967

further progress.

automotive industry.

Reading RG5 4SN.

1982

FT-SE 200 ...

will continue in the current year.

investment criteria will also continue.

1983



SUCCESSFUL AND U	NSUCCESSR	JL BID CO	STS
	Cost	Yalue	
	£	£	Proportion %
Successful:			
Guinness for Distiflers	110m	2.5bn	4.40
Hanson for Imperial	70m	2.6bn	2.70
Burton for Debenhams	24m	580m	4.13
United Newspapers for Fleet	15m	370m	4.95
Tomkins for Pegler Hattersley	9m	190m	4.73
Unsuccessful:			
Elders for Allied Lyons	30m	1.8bn	1.60
Dixons for Woolworth	11.7pt	1.8bm	8.65
Rank Organisaton for Graneda	10m	753m	1.30
Siebe for APY	3m	220m	1.30

bid for Distillers is, for example, 4.4 per cent of the bid's value compared with 4.7 per cent in the case of F. H. Tomkins' £9m expenses in its £190m bid for Pegler Hatters-

Secondly, agreed bids and failed bids invariably cost less than successful contested bids because they usually involve less, if any, underwriting cost and, at least in the case of agreed hids, don't last so long. They also involve less adver-tising — although these costs are now coming down for all bids following the Takeover Panel's banning of "knocking

Thirdly, underwriting is the biggest single cost—between a third and a half—of most completed bids. But the Govern-

pleted blds. But the Government has also been a major beneficiary of the takeover boom perhaps to the tuns of £150m over the past year.

There is still a one per cent capital duty on the value of all shares issued by an offeror—although it is possible to qualify for relief if it is an all share bid—and a one per cent stamp duty (soon to fall cent stamp duty (soon to fall to i per cent) on the vaine of any business being acquired. (Guinness's takeover of Dis-£110m cost of Guinness's £2.5bn thilers and Hanson Trust's take-

£8,306

Mr. F. V. Waller, Chairman of Adwest Group, reports on a year of

Automotive Division, the Group's turnover was 21% up, profits increased by 16% and the proposed total dividend

for the year of 8.53p per share represents an increase of 10%.

During the year the acquisition of three Defence companies was

completed, further reducing the company's dependence on the

increased during 1986 and it is expected that this improvement

Turnover and profit from property developments have again

The Future. The Board looks to the future with confidence. Income from properties will increase and the benefits from current developments will enhance the profits of future years.

The policy of seeking acquisitions which meet the company's

in full, are available from: The Secretary, Advest Group p.l.c.,

Despite difficult trading conditions within part of the

Adwest Group

Further progress

£6,839

over of Imperial between them probably realised about £70m for the Government.) Fourthly, the cost of a major

Fourthly, the cost of a major defence has been growing. The classic case is Woolworth which spent £15.9m on its defence. This was considerably more than the £11.7m spent by Dixons, the bidding company, despite the fact that Dixons—unlike Woolworth—had an underwriting bill. Woolworth spent a great deal on advertising, but also hired three merchant banks. chant banks.

Imperial is estimated to have spent about £10m failing to deter Hanson Trust and Allied Lyons spent nearly £12m successfully seeing off Elders TT.

Mr John Clemes, the Allied finance director, said that about £7m was spent by Allied on advertising with, he hoped, a benefit beyond the bid, and another £5m went in professional fees, of which a hefty chunk must have gone to its merchant banks S G Warburg. He added, however, that £12m does not properly reflect the cost of diverting the attention of most senior managers to the of most senior managers to the bid for several months. This view was echoed by Sir Roland McIntosh who led APV's suc-£2.5m resistance to

£8,701

£10,062

Unlike unsuccessful bidders, defenders do not have an opportunity to cover their costs through a capital gain on a share stake. However, unsuccessful bidders are sometimes the industries are sometimes. tha, inadvertent, good samari-tans of British industry as the future results of escapees like Allied Lyons, Woolworth and McKechnie Brothers will no doubt underline. Following the Elders hid Allied's market Elders bid Allied's market capitalisation is nearly one-third greater, which ought to silence any shareholders complaints

sboot high defence costs.

For the unsuccessful bidder

to £20m. Elders, which spent tion is likely to cut the cost £30m on the Allied bid, covered of underwriting even on successits costs partly from profits on the sale of its Allied stake and partly from some hefty dividend payments it received while an Allied shareholder.

"The bid took np 100 per cent of senior management time and we had to bring in an £13.9m profit on its Distillers' executive from the US to run the business," he said.

Others were not so locky.

Argyll, notoriously, managed a £13.9m profit on its Distillers' shares, but could scarcely cover its £48m costs.

Evered Holdings lost £3m on its McKechnie share stake, taking its bid costs from £1m to £4m. Dixons' remarkably low costs may yet be boosted by up to £5m—the current loss on the costs. its share stake in Woolworth.
And Turnell & Newall (unless it is allowed to bid again) currently sits on a £6m loss on its AE share stake to add to its £4.5m bid costs.

According to finance direc-tors who have been around long enough to know, the pro-portionate cost of takeovers has changed very little over the past

For the unsuccessful bidder recouping costs through a share stake can sometimes be a hazardous business. The aim, as Mr Andrew Cummins of Elders said, is to be in a "win, win situation."

United Biscuits managed it, just, with Imperial. Bid costs there were about £15m and profit on UB's stake was close to 220m. Elders, which spent it ion is likely to cut the cost time.

of underwriting even on successful bids, Merchant bank fees are, however, likely to rise closer to US levels as "creative banking" practices from the US become more common.

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Manufacturers Hanover Limited

Issue Agent

18th October, 1986

13th October, 1986

Morgan Crucible hits out at Bell

Morgan Crucible has launched a strong attack on Bell Resour-ces' tender offer for 14.77m ordinary shares at 320p, describ-ing it as unsolicited, unattrac-tive and inadequate.

In a letter to shareholders, Mr James Spooner, chairman, points out that Morgan's share price stood at the offer price only four months ago and points to a compound growth in pre-tax profits of 58.5 per cent per annum and in earnings per share of 73 per cent per annum between 1982 and 1985.

If the Bell tender offer succeeds, its bolding in Morgan will increase from 13.4 per cent to 29.9 per cent. Since the offer was announced last Wednesday, Morgan's share price has increased from 263p to 300p, 20p below the Bell offer.

Lendu profit

Investment income was suffi-cient to cover losses on the rubcent to cover losses on the rub-ber production side at Lendu Holdings, in the first half of 1986. Pre-tax profits came to £36,531 (£1,349 loss) after in-come from fixed asset invest-ments of £27,265 (£32,393), in-terest received £21,048 (£31,700) and gain on cale of investments and gain on sale of investments of £13,739 (£694). Turnover fell to £39,239 (£51,383) and earnings per 5p share were 1p (0.06p losses).

The directors said that there was no news on 133 bectares of Lenda Estate at present under notice of compulsory acquisition by the Malacca State Government. They added that a decision was expected by next

Westminster

A provision of £250,000 has been made by the directors of Westminster and Country Properties which reduces the book value of an income-producing industrial estate at Newton Abbot. It reflects the weak market conditions in the industrial property sector.

The directors expressed con-

trial property sector.

The directors expressed confidence that, despite the effect on profitability of increased overheads resulting from the move to London and the employment of additional staff, both there and at Exeter, there would continue to be a growth in profitable activities.

In the meantime, figures for the year to April 30 1986 showed pre-tax profits of this property development and investment company—were down from £917,000 to £722,000. Group turnover rose from £6,96m—to £7,61m. Rental income was lower at £515,000.

Bestwood

Bestwood, the investment and property services commany headed by Mr Tony Cole, yesterday announced that it has bought a further 770,000 shares in Lianelli-based Buckley's The directors regarded the result as an excellent performance and turnover running about of send turnover ru In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 9th October, 1986 to 9th January, 1987, the Notes will bear interest at the rate of 11½ per cent, per annum. bought a further 770,0 in Llanelli-based Coupon No. 8 will therefore be payable at the rate of £701.03 per coupon Brewery, raising its total stake from 9.89 per cent to 15.05 per Sp to 122p on the news.

Ultramar Mr Ron Brierley's IEP Securities has sold a small part of its 13.2 per cent stake in Ultramar, the independent oil

company.

The IEP disposal was of only 600,000 shares but was enough to depress Ultramar's share price of Friday which closed 8p down at 162p.

F.T. Share Information

The following securities the following securities bave been added to the Share Information Service: Nationwide Bidg Soc 9492 7/9/87 (Section: Loans, Building Societies), Rateliffe (F. S.) Inds (Engineering).

> LG. INDEX FT for October 1,271-1,277 (-2)

Tel: 01-328 5699

Hunter Plywood enjoyed 2

good half-year, with the DIY distribution business, in par-

triangle site. The interest down Ho charge of £440,000, up from companies.

Lorlin Electronics has pro-duced record interim results for second half of the year and the the period to June 30 1986. company was on course to Profits, before tax, are up from exceed the projected turnover £435,000 to £513,000 on turn-over of £2.58m against £2.13m. The directors stated that while

£17.09m (£11.73m), distribution

costs amounted to £665,000 (£368,000) and administration

Other operating

Order books at this USM the results and the encouraging quoted switches and connectors outlook justified a further quoted switches and counectors outlook justified a furiber group bave continued to grow and to meet demand the its was considered prudent to the Littlehampton and Billingshurst factories have been increased.

New working methods were being implemented at the factories, directors said, and automation would be introduced to make the assembly operations among the most highly productive in the component industry.

The effect of some of these continued increase in the interim dividend its was considered prudent to preserve cash resources to assist in financing increased working capital. The directors decided therefore to leave the present interim unchanged at 1p per share net and to pay a higher final—last year's was 1.5p paid from £928,000 pre-tax.

Tax took £180,000 (£160,000) leaving net attributable profits £333,000 (£275,000) or 6.36p (5.31p) per 20p share.

Farmer into receivership

THE attempt by Mr. John two directors of the little-Briggs, the company doctor, to rescue SW Farmer Group, the engineering company, has failed. The directors amounced that having taken advice from their financial and legal advisers it had been decided that Farmer could not continue trading.

up a 26 per cent stake joined the board. It was hoped that the new board could put together a financial reconstruction, but Mr Briggs said that he was "terribly sad" that despite further cost cutting moves, in-

TRSE

A. 18 8

MINIT

Mr Briggs became chairman of the group in March and began a programme of rationalisation with the aim of cutting losses which had reached flasses were snapended and been appointed as receivers.

and turnover running shead of that at the equivalent period

Turnover in the period under review showed an improvement from £6.64m to £11.1m and operating profits were up from £975,000 to £1.25m before interest receivable of £88,000 (£188,000).

of last year.

Tod profits on target

TOD, the USM-quoted holding acquisition of Stracker. The company, reports profits before company was able to provide its tax of £1.34m for 1985-86, a operating subsidiaries with the 15 per cent increase on the re-

result as an excellent performance in markets where there had been low level of demand and which had been as competitive as ever. All operations had performed well.

Westbrick Plastics, sequired in September 1985, contributed substantially to profits in the period. Paramount Fabrications (acquired in January 1986) and

Stracker, which came in after the half year, were both performing well.

At the year-end Tod bad a strong balance sheet and that continued to apply following the Tax took £370,000 (£482,000) leaving earnings per share of 13.8p (9.7p) for the 5p ordinary shares. The total dividend is raised from 2.75p to 3.3p with a final of 2p (1.65p).

THOMAS FRENCH has agreed the sale of South African sub-sidiary Thomas French and Sons (SA) Pty to Mr David Watson, chairman and owner of a number of South African companies. At as September 28 1986 net tangible assets were £694,000.

CVD Incorporated, chemicals group, yesterday announced its graduation from the Unlisted Securities Market to a full listing. CVD, which manufactures materials for commercial and military use by the chemical vapour deposition process, joined the USM in October 1984.

BOARD MEETINGS

The following companies have notified detes of board meetings to the Stock Exchange. Buch meetings are usually held for the purpose of considering dividends. Official indications am not realishe as to whether the dividende am interims or finals and the subdivisions shown below am besed mainly on last year'n timetable. FUTURE DATES Hemmerson
Helene of London
Nu-Bwitt Industries
Peck Holdingn
River and Mercentile Trust
Trielus
Wettern Brothere
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Globel TODAY

Interime: Edinburgh Investment Trust, Femell Electronics, Fothergill end Harvey, IBL, Remble Rubber, H. C. Blingsby, Steel Brothem, Finele: Bryant Holdings, Medminster,

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Lucae Industries
Rend Mines Properties Nov 7

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year,"

	Dete	Mant last year
	*Abbey LifeOct 15	Interim 2.2
	AB FoodsNov 4	interim 1.9
	BanksNov 14	Interim 4.5
	Amershem Intl Nov 11	Interim 2.42
	AreneNov 11	Interim 5.0
	Beezer (C. H.) Oct 25	Final 8.0
	*BajamOct 16 Bridab Car	Final 2.0
	AuctionOct 29 Sritish and Com-	Final 2.0
	ShippingOct 24	Interm 2.2
	WirelessNov 20	Interim 3.5
	Cater AllenNov 7	interion B
	De La RusNov 12 Eastern	Interim 9.25
	ProduceOct 25	interim 2.5
	Etem	Interim 1.5
	Fleher (A.)Oct 17	Finel 1.2
	GEI IndNov 12	Interim 1.94
	Gt Portland	Final 14.0
ı	ExtenseNov 12	Interim 2.0
13	Deen Cles 99	Interior 2.0

Interim 4.5 Final due Interim 3.0 Interim 7.15 Final 9,232 Interim 2.9 | Seniasbury | Seniasbury | Seniar Eng ... Oct 14 | Interim 0.825 | Smiths Inds ... Nev 13 | Finel 3.0 | Staveley Inds ... Nev 14 | Interim 5.5 | Tesco ... Nev 13 | Interim 2.1 | UEI ... Nev 14 | Interim 2.1 | UEI ... Nev 15 | Interim 2.5 | Velor ... Nev 15 | Interim 1.358 | Wolseley ... Oct 28 | Finel 8.0 | Second meeting attributed + Richter | Single | Single

WHINNEY MACKAY-LEWIS PLC

Placing by

de Zoete & Bevan



1,644,198 Ordinary shares of 10p each at 160p per share

Adwest Group AUTOMOTIVE COMPONENTS, DEFENCE EQUIPMENT, ELECTRICAL AND

ENGINEERING PRODUCTS, PROPERTY DEVELOPMENT.

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Fixed Interest	89.84	89.70	89.56	89.69	90.00	89.98	97.68	86.55	150.4	50.53
Ordinary	1265.4	1268.1	1248.1	1257.3	1251.2	1234.0	1425.9	1094.3	1425.9	49.4
Gold Mines	379.3	332 1	333.5	329.4	316-2	328.6	957.8	185.7	734.7	43.5

FT-Act All Share 789.46 791.09 782.10 783.65 777.75 770.44 832.39 664.42 832.39 61.92

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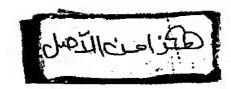
This advertisement is issued in compliance with the requirements of the Council of The Stock Enchan Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary startes of Whitmen
Hackey-Lowis P.C. ("the Company") on the United Securities Market. A proportion of the shapes being placed will be available to the publishments that more than the control of the startest during market hours today, it is emphasised that no application has been usude for those securities to be admitted a Copies of the Annual Report, containing the Chairman's Statement



Series 048



Share Capital Anthonised fully paid 5447,000 5600,000 in Ordinary shares of 10p each Whitney Mackay-Lew's PLC ("the Company") is a chartered architectural practice specialising in providing architectural, design and other related services for clients in the financial services exists. The Company has grown to be a substantial practice enabling it to be invited to ender for and to execute the practigious architectural broundsions currently available in the financial and commercial sectors. articulars of the Company are available in the Estel United Securities Market Service and copies of such particulars or of the Prospectos may e obtained during normal business bears on any week-day (Saturdays excepted) up to and including 27th October, 1986 from:



Financial Times Monday October 13 1986 21 rm rise. LONDON RECENT ISSUES **AUTHORISED** FT UNIT TRUST INFORMATION SERVICE EQUITIES **UNIT TRUSTS** 51 196 143 106 164 28 190 124 150 75 261 90 163 124 150 75 261 90 163 146 **FIXED INTEREST STOCKS** Hotend Scarrists SL1 25.4
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2 Provide for the break with (Actors Units) (4-2-2)
5 An account's something bin-(42-2)

An account's something binding (agreement) (6)

They're often blowing though must be fit (8)

Comprehensive girl runs round high ball (6)

Ceneral companion for old physician (5)

Doctor met a rich npperclass person with a cumplaint (9)

Meld newspaper display without issue (bind!) (6)

Bob's only one such, nowadays (7)

Not in play—inch out, perhaps (2.5)

Announcer does trust English being used (6)

Member in laboratory to need a form of carbon? (9)

Meber a reertain month's for this? (6-3)

Month's advance (5)

Find it's close in newly-constructed hut (7)

One recognised by his features? (9)

Sticky dainty (8)

Part of net some homes have (4)

A foolish speed to suggest (9)

Land next to house, rude one (with gale bluwing) (9)

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Tx. perhaps, in expression (7)

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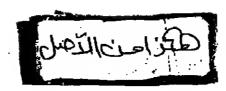
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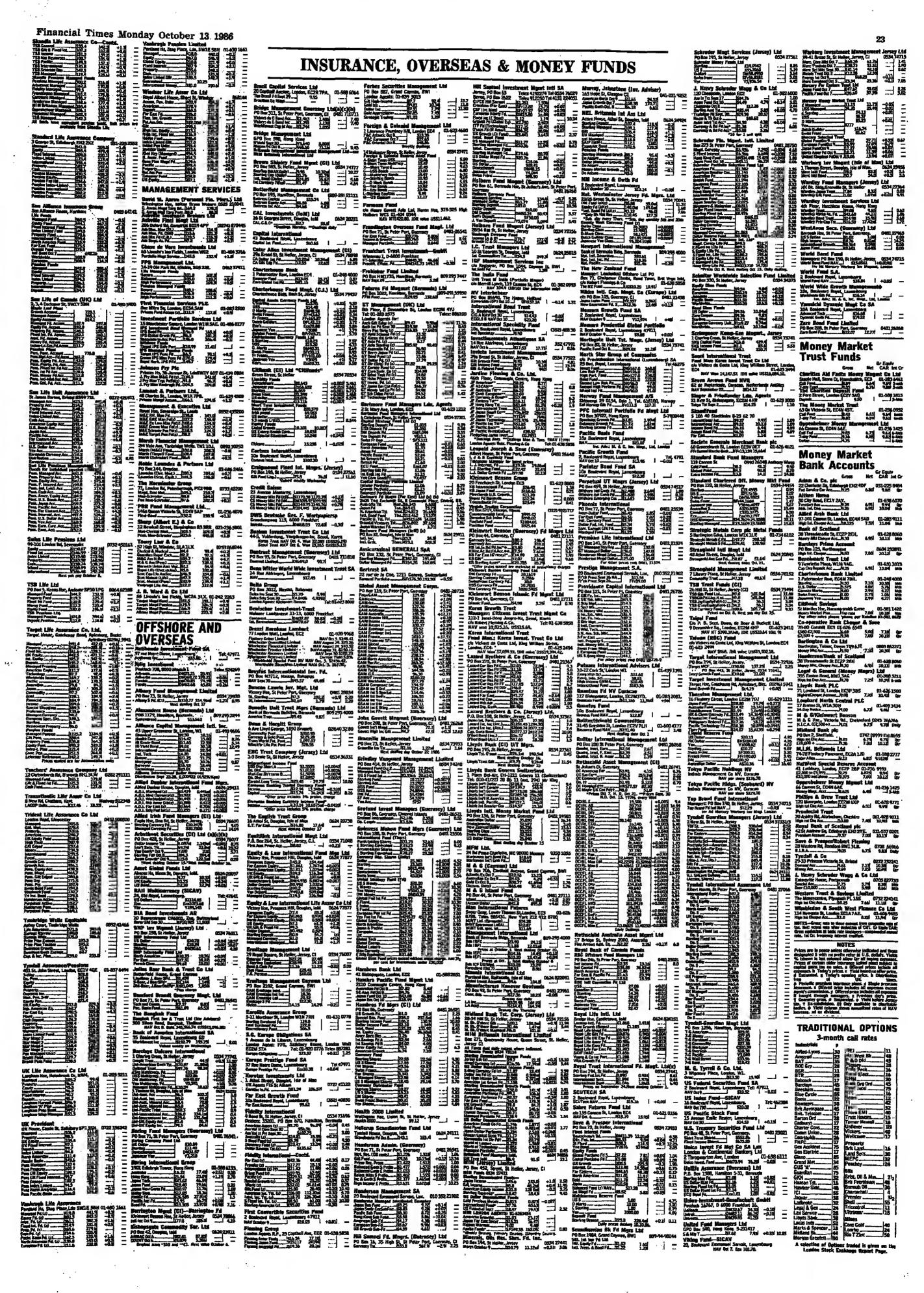
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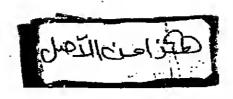
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22.lly 22.lan Treas, 114.pc 2 16.lan 16.lnl Treas 87.pc 200 26.Sep 26.Mar Treas, 134.pc 'C 25.Mar 25.Sep Treas, 8xc 2009	2003-07		hely Western Bros. 83 2.6 1.15 2.4 2.0/24/01 Jan. Anti-Dobbine Sc. 50 190 190.6 12.8 4.3 1.0 9.0 1001 1001 1001 1001 1001 1001 1	Joseph SKF AB SISS S255-330.4 (2004) 333 2-9,112 June SKF AB SISS S255-330.4 (2004) 333 2-9,112 June SKF AB SISS S255-321 July 2004 June SKF AB SISS July 2004 Jul
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_ · Prospective real redemption _ (2) 5%. (b) Figures in pare	n rate on projected inflation of (1) 10% and entheses show RPI base mouth for indexing, RPI for January 1986; 379,7 and for August 1986; 385,9.	Dec July Ailled (rish 203 2.6 9063.95 3.6 7.2 6.4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	116 28.7 43.22 2.7 3.913.2	November Wood (5, W) 10p 34 16.9 57 157
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21.lan 27.luly Do. 101.pc 27.7 11Feb 17.luly Do. 101.pc 17.8 1Mar 7 Do. 97.pc 7.9.8	7.87 10.23 11.36 18.87 10.24 11.44 17.77 10.24 11.44 17.77	Feb Oct Moorgate Merc. 10p. 471-511.8 1.6 1.6 4.718.2 N Oct Apr Prov. Financial 296 15.9 113.0 2.6 6.110.5 A December Woodchester IR20p. 365 25.111 e30.0 4 1.5 4	May Declivers 19 128 14 22 31 2418.7 10 1 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 22 31 2418.7 10 1 24 14 24 24 31 24 24 24 24 24 24 24 24 24 24 24 24 24	Jan Angresian Francisco 200 34 32 30.6 3.8 3.1 1.974.2 January Blanking Grosp 50.01 185 (2.6 100.60 3.4 3.2 8.7 Apr. Row Marghichols Ventol 200 225 1.9 16.0 28 3814.4 April Hamil Whiteles 50 46 0.25 7.9 4.7 2.114.0 18.8 18.7 225 1.9 16.0 2.8 3814.4 April Hamil Whiteles 50 46 0.25 7.9 4.7 2.114.0 18.8 18.7 225 1.9 16.0 2.8 3814.4 April Hamil Whiteles 50 46 0.25 7.9 4.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.7 2.114.0 18.8 18.8 18.8 18.8 18.8 18.8 18.8 18
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31Mar 30Sepi Do. 74,0cA *91-9 31 Mar 30 Sepi Do. 90cA *91-94 31Apr 26Febi Do. 8*40cLn *92	94 80-11.8 9.01 11.00 90-11.8 9.94 10.80 90-28.7 9.94 10.60	Apr. Oct Clark Madhew) 465 1.9 8.0 3.6 2.4 1.6.0 1.9 1.0	- (4Fleks (Mrs) 90.05. 128m2/9.9 R4.5c 2.6 2.4 16.2 May Oct57C 130 11.6 ml.5 - 1.3 14.9 http://doi.org/10.1000/10.1000/10.1000/10.1000/10.1	Peb Assistance (1994) 1995
Interest Due Stock	Price Last Div % Red.	Ang Joint Fire Smith Time ACL 333 28.7 in 41 5.0 1.7 7.0 ju July Feb Greena Wholey	DEC Preventing 420 28.4 17.0 3.7 2.4 15.8	Nov May/Suchertand (E.T.) 400(29) 633 0.9 7.718.9 Nov. July Hummer 10p 200 125 2.5 5.6 1 27.90 Nov. May Mariface 6 tyle (1
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Agent de agrande de la companya de l HAMBROS BANK CUSTOMER DEALING SERVICES

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In order to increase our capacity to handle the volume and complexity of deals and services in the above markets, we are progressively expanding and re-equipping our dealing room and introducing new systems and equipment.

As part of this plan and in order to ensure that we interpret our customers' instructions accurately and speedily, we have now installed telephone recording equipment in our Foreign Exchange and Eurobond dealing rooms solely for the purpose of verifying and confirming the accuracy of transactions carried out by the dealers and for the exchange of Foreign Exchange instructions.

This notice is published to advise all relevant staff in those companies with whom we deal that all telephone calls to our Bishopsgate dealing room will be tape-recorded from 13 October 1986.

All necessary steps will be taken by us to protect the confidentiality of the recordings.

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For information please return this advertisement, together with your business card, to: Financial Times Conference Organisation Minster House, Arthur Street, London EC4R 9AX.

CONSTRUCTION CONTRACTS

Birmingham convention centre complex

BY JOAN GRAY

R. M. DOUGLAS CONSTRUC-Birmingham-based member of the Douglas group, has been appointed management contractor for building a £85m convention centre in a joint venture with Turner Corporation of the US.

Believed to be the largest in the UK, the International Convention Centre is being designed to supplement Birmingham's National Exhibition Centre, constructed by Douglas for £30m in 1973.

To be built next to the Repertory Theatre, the new centre is sited between Broad Street and Cambridge Street, bounded on the east by King Alfred Place and on the west by the Birmingham Canal.

The new Centre will have 11 halls of different sizes, including 1,500 seat and 2,200 seat auditoria; a banqueting hall to seat 1,100 and a smaller banqueting hall seating 350; a theatre, and e concert hall.

the project," said Douglas's managing director Mr Michael Manzoni, "will be the specialist services: the multilanguage translation systems, auditorium systems, acoustics, concert hall equipment and

For this reason Douglas— which has never built a large convention centre before— decided to go into joint ven-ture with the New York-based Turner Corporation.

construction companies in the US, where it has already built several convention centres, including Madison Square Gardens and the Lincoin Arts Centre in New York, as well as ethor centres in Ohio, Philadelphia, Cleve-land, Syracuse and Los

Douglas chose Turner as its partner after visiting "the US looking for expertise in building convention centres and in management contracting after the project was first announced two years ago," said Mr Manzoni.

"After our visit, some pos-

sible US partners came to the UK to give us presentations and then we set up the venture with Turner after a re-visit to America."

The management contract was awarded by Birmingham City Council's company NEC Ltd after competitive tender and interviews with the pro-posed management team for the project.

Building the convention centre will provide jobs for np to 1,000 people for three and a half years.

Werk will start on site in January, and Deuglas and Turner are now working with the designers on the final stages of planning the project.

Another Sainsbury supermarket

WIMPEY CONSTRUCTION UK The contract is due for complehas received contracts for housing refurbishment and retail Valued at just over film, development totalling some film. Wimpey has been awarded a development totalling some £8m. A £4.62m complex of over 5,000 sq m is to be built for 5.000 sq m is to be built for 5.000 sq m is to be built for contract by the London Borough of Havering, for the refurbishment of housing in Harold Hill. Due for completion in April, the and including three sublet shop units. External works include parking for 480 cars, drainage and landscaping, and the development is due for completion in September 1987. Homebase has ewarded a contract worth £2.04m for the erection and fitting-out of a single-storey bouse-and-garden centre, in Claydons Lane, Rayleigh Weir, Essex. The floor area will be some 3,300 sq m.

Wimpey has been awarded a

Jetties for America's Cup yachts

Hi-Spec Structures

Hi-Tech Industries

CRENDON STRUCTURES LIMITED

Long Crendon, Aylesbury, Bucks. HP18988

Tel: Long Crendon (0644) 206481 Teles: 83249

TEAMWORK CONSTRUCTION PTY. Australian subsidiary of Taylor Woodrow, has won A\$2.2m (£900,000) design and construct contract for jetty works to prepare mooring facilities for visitors to the America's Cup sailing competition early next year. The order, for the work at Hillarys boat harbour about 15 km north of Perth on the Indian Ocean has been placed by the Western Australian Department of Marine and Harbours. Work has started and entails building more than 320 mooring pens for boats from 10 to 25 metres long, which are expected during the America's Cup in January and February. The contract is due for completion in December. These pens can be subsequently converted to provide moorings for up to 400 small to medium boats between 8-15 metres in length. The jettles will be supported by tubular steel piles and will have hardwill be supported by tubular steel piles and will have hard-wood mooring piles. They will include pre-stressed, pre-cast concrete walkway units and pre-

Psycho-geriatric hospital

SHEPHERD CONSTRUCTION has secured contracts worth a total of almost fil2m. This includes psycho-geriatric hospital in West Bromwich, Stockport's new magistrates court and a Sainsbury's supermarket at Hanley, Stoke-on-Trent. Located at Edward Street Hospital, West Bromwich, the psycho-geriatric hospital is worth over f4.7m and is to be built for the West Midlands Regional Health Authority, for completion in November 1988. It comprises a three-storey

Developments at Worcester

Contracts worth more than £5m Commercial Property (£669,000); perties (£432,000); and a fee ing management contract for fitting-be out a factory to form laboratories of at Deesde, Clwyd, for Biokits (£345,000). Projects awarded to Tarmac Construction Refurb, the refurbishment specialist company, include modernising a store at Coventry, for Woolworth Properties (£800,000) and extending communal facilities at Aston University, Birminghay a moderate work at the Aztec West beginning the company has won further work involves extensive alterations to buildings, which were once part of Carmel College, to form office suites and administrative facilities totalling 40,000 sq ft. For Sainsbury's, Ernest retained is undertaking a £1.5m extension to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel College, alterations to buildings, which were once part of Carmel have been awarded to TARMAC refurbishing a store at CONSTRUCTION. The largest, at about £2m, is for building the shell of a supermarket, filling station and shops at St Peter the Great, about two miles south of Worcester. Work on the project, for Provincial Developments, starts shortly and is scheduled for completion next summer, Other contracts include warehouse extensions at Chepstow, Gwent, for Glass Glover Group (£700,000); factory units at Middlesbrough, for Pilkington

Office block at Reading

Contracts in the south and west West 700-comprises a 20,000 sq worth £12m have been won by ft warehouse with integral office ERNEST IRELAND CONSTRUC- space valued at £841,000 for TION, part of the Mowlem group. Spandex UK, importers and in the The largest, valued at £1.89m, is exporters of computer equipment. jetties. one of two awards from Pearl Assurance and is for the con-struction of a seven-storey build-ing at Station Rd, Reading, with ing at Station Rd, Reading, with shops at the ground floor level, storage beneath and five floors of air-conditioned offices above totalling 30,000 sq. ft. Of reinforced concrete frame the development will have facing brickwork to the front elevation. Work has started for completion in September 1987. At Crowmarsh, near Wallingford in Oxfordshire, the company has won a £1.7m contract for the Commonwealth Agricultural

Profit after taxation

Profit before taxation ...

Earnings per share calculated on 2,600,000 shares in issue Pyrites Export Sales

14.2p 101,804

During the first six months the sales of mineral, prodoced by Compania Española de Minas de Tharsis, S.A., to our customers in Belgium, Italy and Greece have been satisfactory. It is expected that the total level of sales of pyrites during this year will be similar to that of 1985.

THARSIS

THE THARSIS PUBLIC LIMITED COMPANY INTERIM STATEMENT FOR SIX MONTHS

ENDED 30th JUNE, 1986

6 months 6 months to 39.6.86 to 30.6.85 (unsudited) (unsudited)

590

22,70

1,297

49.9p

Over the period 1983 to 1985 the Company was able to offset part of the cost of disposal of the cinders, produced from pyrites sold to Belgium against a deferred income received in compensation for the failure of a customer to meet their contractual commitment to buy these cinders. The final tranche of this deferred income, amounting to £452,000, was used to offset expenses in 1985, and from the beginning of this year the total cost of disposal will have to be borne by the Company. Due to the international nature of our business the trading results are subject to fluctuations in exchange rates, but no substantial differences have occurred during January/June.

substantial differences have occurred during January/June. The annual results, of course, are subject to any exchange finctuations during the second half of the year. The house development project is now complete with the sale of all the remaining stock of houses during the period. Significant revenue from land development cannot be expected without further investment and the Board is considering a number of opportunities.

The results stated above for the year to 31st December, 1985 are abridged from the full accounts for that year, which have received an unqualified report from the auditors and have been filed with the Registrar of Companies.

The Directors declare an interim dividend for 1986 at the rate of 2 pence per share (1985: 2 pence per share) (inclusive of any tax credit or tax deduction), amounting to £52,000, payable on and after 4th November, 1986.

The Chairman of the Company is Mr. Frédéric Velge.

⊭ Morgan

To the ordinary shareholders of The Morgan Crucible Company plc

DO NOT TENDER YOUR SHARES. THE BELL TENDER OF A MAXIMUM OF 320p IS TOTALLY INADEQUATE

- Bell's tender implies it expects Morgan Crucible's share price to rise well above 320p
- The Bell tender may be intended as a prelude to a full offer at a higher price
- The maximum price of 320p is no higher than the level at which your shares stood a mere four months ago
- Since 1982 Morgan Crucible has achieved an average growth in earnings per share of 73.0% per annum
- Morgan Crucible is a world leader in the supply of specialist products to technologically advanced industries
- The Board of Morgan Crucible has re-affirmed that 1986 will be another successful year

IT MAKES NO SENSE FOR YOU TO TENDER YOUR SHARES TO BELL. WE URGE YOU TO BACK YOUR BOARD AND IGNORE THE BELL TENDER.

OVERSEAS

Refurbishing Cleopatra

HIGGS AND HILL CONSTRUC-TION (EGYPT) has been complete internal redecoration awarded a contract by Esso of the Ambasador's residence in Zamalek Calvo. for the fitting out and refurbishment of four floors and mezzanine level of the Cleopatra building at Heliopolis, Cairo. The works involve construction of office accommodation on three of the floors and executive offices plumbing, fire protection and site production of the mechanical. and a boardroom on the second floor. The mezzanine will be used for medical facilities, mosque and computer rooms. On the ground floor an entrance and waiting area will be created, together with club, kitchens and recreational facilities. Spanish Ambassador to Egypt

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Las been awarded a contract worth \$1.6m (fil.lm) for the installation of the mechanical plumbing fire protection and site utilities for the Park Central vill be XII office building in Dallas, cilities, ms. On completion in late Spring 1987, ce and will be the world headquarters reated, for the Steak & Ale Restaurant company, a subsidiary of the Pillsbury Company of Minneapolis, Minnesota.

Notice of Redemption to the Holders of

Canadian Pacific Securities Limited (CPSL)

Can\$40,000,000 1734% Guaranteed Notes due 1987 (the Notes) Guaranteed by Canadian Pacific Enterprises Limited (CPE)

NOTICE IS HEREBY GIVEN that pursuant to Condition 3(c) of the Terms and Conditions of the Notes CPSL has elected to redoem all of the Notes on November 17th, 1986 at 100 per cent. of their principal amount plus accrued interest (Can. 50.99 per Note) up to but excluding the Redemption date. Interest on the Notes will cause to accrue on the

Payment of the Redemption proceeds (Can. \$1,000.99 per Note) will be made against presentation and surrender of the Notes cum Coupon due November 15th, 1987 at any of the Paying Agents listed below. In the event that Notes are presented at Coupon due November 15th, 1987, the face value Can. \$177.50 will be deducted from the Redemption.

Orion Royal Bank Limited
1 London Wall, London EC2Y SJX
(Principal Paying Agent)
of Canada AG The Royal Bank of Canada

4600 Dortmund 1 The Royal Bank of Canada 1 Place Ville Marie Montreal H3C3A9 The Royal Bank

(Belgium) SA rue de Ligne 1 1000 Brussels, The Royal Bank of Canada (France) SA 3 rue Scribe, 75440 Paris, France

Morgan Guaranty & Trust Company 88 William Street New York, N.Y. 10005 Trust Company of New York Morgan House 1 Angel Court, London EC2N 2NT Kredietbank SA Luxembourgeoice 43 Boulevard Royal

Coupons which mature prior to the Redemption date should be detached and presented for payment in the normal fashion.

DATED: LONDON, 13 OCTOBER, 1986 For and on behalf of Canadian Pacific Securities Limited by:

ORION ROYAL BANK LIMITED A member of The Royal Bank of Canada Group

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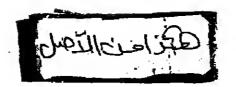
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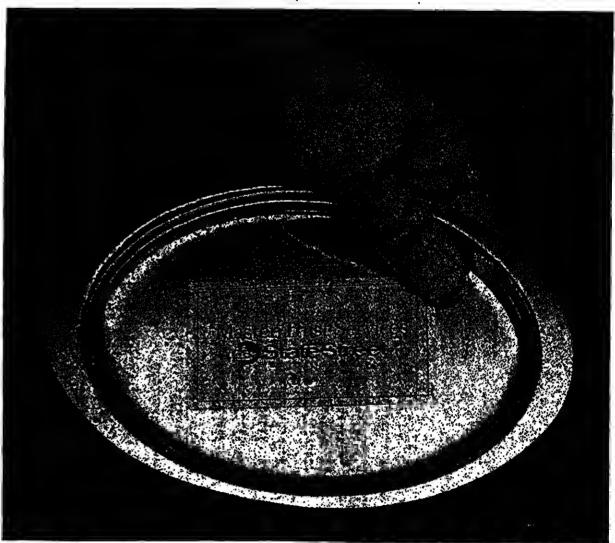
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WORLD STOCK MARKETS

,	AUSTRIA	AUSTRALIA 1986	Price	ITALY	JAPAN	ľ
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State Street is pleased to introduce our complete range of custodian and portfolio recordisceping services for institutional investors in the United Kingdom.

That's how we define Master Trust. And now U.K. penson finds and other financial institutions can enjoy the same quality service our other clients have long enjoyed.

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chores, no matter where your investments are located throughout the world.

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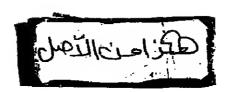
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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES "

NYSE COMPOSITE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES Closing prices October 10
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Granville & Co. Limited 3 Lount Lane London ECSR SEP

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar remain out of favour

of nervousness about the West
German Bundesbank's Intentions.

The main fear overhaoging the
market was fear of Bundeshank
intervention, although this was
somewhet dispelled on Friday,
wheo Mr Claus Koehler, a director
of the central henk, said intervenof the central henk, said interven-

tion earlier in the week was not aimed at defending a particular level. He added that the joint dollar buying, involving other European central hanks, was designed to brake the decline of the US currency, and not reverse a trend There was no lack of news to

0ct 10	Close	Previous Close
£ Spot	1.4335-1.4345 0.55-0.53 pm 1.70-1.68 pm 6.05-5.95 pm	1.4230-1.4240 0.58-0.56 pm 1.80-1.77 pm 6.50-6.40 pm

STERLING INDEX									
		Oct. 10	Previous						
8.30	am	67.7	67.3						
9.00	am	67.7	67.5						
10.00	' am	67.7	67.5						
11.00	am	67.7	67.6						
Noon		67.7	67.8						
1.00	pm	67.7	67.6						
2.00	pm	67.5	67.2						
2.00		47.0	67 3						

4.00 pm 67.6 67.5

October 10 Bank of England Gazington	CURRENCY	MOAFIAIF	MIS
U.S. Dolfar 109.2 +1.4 Canadian Ooflar 76.8 -13.0 Austrian Schilling 133.5 +9.0 Belgian Franc 97.4 -5.5 Danisk Krone 90.1 +2.3 Deutsche Mark 142.3 +19.6 Swiss Franc 169.7 +23.2 Guilder 70.6 -12.7 Ura 48.1 -15.5	October 10	England	Goaranty
	U.S. Dolfar Canadian Dolfar Austrian Schilling Beiglan Franc Danish Wrone Deutsche Mark Swiss Franc Guilder French Franc Lira	109.2 76.8 133.5 97.4 90.1 142.3 169.7 130.8 70.6	+1.4 -13.0 +9.0 -5.5 +2.3 +19.6 +23.2 +13.0 -12.7 -15.5

CURRENCY RATES

0ct. 10	rate %	Drawtog Rights	Correnc
Sterling	ı	0.84942	0.73237
U.S. Dollar	- 6	1.2132	1.0473
	8.50		1.4513
Austrian Sch	4	N/A	14.640
Belgian Franc	8 7		43.201
Danish Kroner	7	-	7.8469
Deutsche Mark -	31 ₂ 41 ₂	2.4308	2.0815
Neth. Guilder	412	N/A	2.3519
French Franc,	912	~	6.8179
Italian Lira	12	*	1441.0
Japanese Yen	312	*	161.59
Norway Krone	8	4	7.6505
Spanish Peseta		*	137.93
Swedish Krona	В		7,1583
Swiss Franc	4	-	1.6952
Greek Drack.	2012	~	140.89
Irish Punt			0.76613

^{*} CS/SDR rate for Oct. 9: 1,68566

OTHER CURRENCIES

Dct. 10	£	\$
Argentina	1.5350-1.5410	1,0750-1,0785
Australia	2.2365-2.2405	1,5650-1,5670
Brazil	19.66-19.78	23.77-13.84
Finland	6.9480-6.9605	4.8610-4.8640
Greece	190.62-193.67	133.67-135.72
Hang Kong	11.1405-11.1540	7.7995-7.8015
Iran	109.25	76.00*
Kuwalt	0.4185-0.4190	0.29280-0.29300
Luxembourg	59.10-59.20	41.20-41.30 .
Mataysia	3.7490-3.7585	2,6235-2,6255
N, Zealand	2,7880-2,8880	1.9510-1.9570
Sandi Ar.	5.3585-5,3625	3,7495-3.7500
Stogapore	31050-31115	21725-21745
5. Af. ICm) _	3,1605-3,1980	2,2225-2,2345
S. Al, (Fo)	6.4945-6.8040	4.5455-4.7620
UAE	5.2480-5.2530	3,6725-3,6735
Selling rate	5.2480-5.2530	3,6725-3,6735

Sp	mgh	mths	enths	12 inths	Sweden	6.50-6.564 6.824-6.874 154.10 155.20		1.30-1.50c des 1.55-1.75ore des 0.18-0.13y pm		4.70-5.10dis 4.70-5.10dis 0.38-0.33pm	-2.99 -2.99 0.91
US Dollar 1.43 O-mark 2.84 French Fr. 9.33	75 2.8332	2.8044	2.7647	2,6901		13.964-14.09%	13.97%-13.98%	%-la gro pm	0.38	4-pm-14-dls 0.78-0.73 pm	-0.21 1.85
Swits Fr. 232	00 2,3063 50 220.42	2.2817	2.2463	2.1791				ud premiums and di oversible Transs. F			

Economic forecasters generally expected a rise of ahout 3 per cent in sterling M3 money supply in the month to mid-September, and therefore the published figure of up 1½ per cent 1¾ per cent was inconclusive, the market was just greeted with some relief. The impact on sterling was muted the benefit of the doubt above its

STERLING ATTRACTED considerable attention last week, as the dollar went through a quiet phase, interspersed with periods and the pound, but in the however. Dealers remained consciences, and this proved to be mainly ceroed about the impact of the inconclusive, leaving financial open merkets in London nervous and some reassuring words from the don interest rates eased.

dealers conomic policies. dealers remained consciences are conomic policies. merkets in London nervous and some reassuring words from the don interest rates eased.

about sterling and interest rates

et on sterling was muted the benefit of the doubt about its											
Ecu central rates	Currency amounts against Ecu October 10	% change from central rate	% change adjusted for divergence	Divergence							
43.1139 7.81701 2.11083 6.87316 2.37833 0.764976 1476.95	43.2012 7.84690 2.08151 6.81793 2.35192 0.766131 1441.09	+0.20 +0.38 -1.39 -0.80 -1.11 +0.15 -2.43	+0.96 +1.14 -0.63 -0.04 -0.35 +0.91 -1.98	± 1.5368 ± 1.6403 ± 1.1127 = 1.3659 ± 1.5059 ± 1.6883 ± 4.0734							
	Ecu central rates 43.1139 7.81701 2.11083 6.87316 2.37833 0.764976	Ecu Central rates October 10 7.81701 7.81701 7.84690 2.11083 2.37833 0.766131	Ecu central rates CHYPENCY UNIT RATES Currency % change from against Ecu central rates October 10 rate 43.1139 43.2012 +0.20 7.81701 7.84690 +0.38 2.11083 2.08151 -1.39 2.87316 6.81793 -0.80 2.37833 0.764976 0.766331 +0.15	Currency UNIT RATES Currency General rates Currency amounts against Ecu central october 10 rate Currency 7.81701 7.84690 +0.38 +1.14 +1.1083 2.8151 -1.39 -0.63 6.87316 6.81793 -0.80 -0.04 2.37833 2.35192 -1.11 -0.35 0.764976 0.766131 +0.15 +0.91							

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EXCHA	NGE	CROS	S RA	TES	
Financial	Times.				

0a 10	E	5	DM	YEN	F Fr.	S Fr.	H FL	Lbra	C S	a Fr.
£	1 0.698	1.434	2.848 1.987	221.5 154.4	9.330 6.508	2.320 1.618	3.215 2.244	1965 1371	1.988 1.386	59.15 41.25
OM	0.351	0.503	1	77.79	3.277	0.815	1.129	690.1	0.698	20.77
YEN	4.515	6.472	12.66	1000	42.12	10.47	14.51	8871	8.973	
F Fr.	1.072	1.536	3.052	237.4	10	2.487	3.446	2106	2.130	63.40
S Fr.	0.431	0.618	1.227	95.47	4.022	1	1.386	847.0	0.857	25.50
KFI. Ura	0.311 0.509	0.446 0.730	0.886 1.449	68.90 112.7	2.902 4.748	0.722 1.181	1636	611.2 1000	81A.0 110.1	18.40
C S	0.503	0.721	1,433	111.4	4,694	1.167	1.618	988.7	1	29.76
8 Fr.	1.691	2.423	4,814	374.5	15.77	3.922	5.435	3322	3360	100

Oct. 10	Short.	7 Days'	One	Thee	Six	One
	Lerra	notice	Month	Months	Months	Year
Sterling	84-9 54-5%	91 ₄ -91 ₂ 51 ₄ -57 ₄	104-104 54-5%	105-10% 54-5%	10½-10½ 54-5%	1021-105
O. Guilder	74-84	7% 8%	816-876	8,2-8,4	81.84	8%-8%
	54-51	54-51 ₂	514-518	54-54	51.51	54-5%
Sw. Franc Destschmark Fr. Franc	1 ¹ 8-1 ⁵ 8 4 ¹ 8-4 ³ 8 7 ¹ 4-7 ¹ 8	13-13 44-43 74-84	31 ₂ -35 ₂ 41 ₆ -41 ₂ 81 ₆ -81 ₄	3 2-4/2 4/2-4/3	312-4 £	4-414
Italian Lire	10-13	912-103a 63a-7	10-104 74-712	812-874 1012-11 714-712	814-85 105-11 714-712	7%-84 10%-107 74-712
8. Fr. ICon.)	61-74	7-71 ₂	74.74	74-74	75-75	74-75
	413-412	4%-411	48.43	412-5	4일-4일	44-41
D. Krune	93, 97,	9%-10%	97-103 ₈	97-107	97-10	97-103
	513-513	512-512	512-513	54-57	53-57	57-6

POUND SPOT-FORWARD AGAINST THE POUND

Oct. 10	Day's spread	Close	One month	% p.a.	Three months	. % D.L
US	14215-1.4345	1,433-1,4340	0.57-0.54c pm	4,59	1.73-1.68c pm	4.76
Camuria	1,9750-1.9898	19870-19880	0.44-0.36c pm	2.42	1.17-1.03 pm	2.2
Netherlands .	3.194-3.22%	3.21-3.22	112-11ec pm	5.13	412-416 pm	5.44
Belglam	58.89-59.50	59.10-59.20	19-14c pm	3.35	53-45 pm	3.31
Depracark	10.74-10.791	10.74-10.75	Separ ore pro	0.35	2-11 ₈ pm	0.58
retand	1.0460-1.0585	1.0485-1.0495	0.30-0.75a dis	-6,01	0.95-1.45 d%	4.58
W. Germany .	2.834-2.8612	2.844-2.854	15e-13pt pm	6.32	45m-414pm	6.23
Portugal	207.60-209.80	208.07-209.65	60-115c dis	-5.02	200-610 db	-7,75
Spain	188,72-189.65	186.73-189.00	25-65c dis		55-120 des	1.89
taly.	196412-198412	196412-196513	1pm-1 live als		1pm-3 ps	0.20
Norway	10.4512-10.50	10.4512-10.4612	34-34 ore dis	-4.02	912-1014 dis	-3.78
France	9.29-9.384	9,3212-9,3312	2pm-1%c pm	2.17	51-414 pm	1.98
Sweden	9.79-4.82	9,79-9.80	1%-1'2 ore pre	207	55, 47, pm	214
Janan	220-222	221-222	114-14 des	6.09	33 ₀ -31 ₀ pm	5.87
Austria	20.00-20.20	20.01-20.04	91 ₈ -81 ₈ gro pm	5.17	24 - 22 pm	9,66
Switzerland _	2.3112-2.3212	2.3112-2.3215	112-114c pm	7,11	41 ₈ -33 ₄ pm	6.79

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Lixembourg 59.10-59.20 41.20-41.30 . Malaysia 3.7490-3.7585 2.6235-2.6255 N, Zealand 2.7880-2.8880 1.9510-1.9570				2.6255 1.9570	Oct. 10	Day's spread	Close	Que month	12. 12.	Three months	74 P.1	
Saudi Ar Stogapore		3585-5.3 1050-3.3	625	3,7495 2,1725-	3.7500 2.1745	UKT	14215-14345	14330-1.4340		4.65	1.73-1.68 pm	4.7
S. Af. (Cm) _ 3.1605-3.1980 2.2225-2.2345				2.2345	Canada	1.3550-1.3675 1.3835-1.3875	1.3660-1.3660 1.3860-1.3870	1.25-0.80c pm 0.28-0.31c dis	9.06	3.35-2.60 pm 0.89-0.94 dis	2/	
S. AI, (Fo)		1945-6 <i>.</i> 2480-5.2	1040 1530	4.5455. 3.6725.	4.7620 3.6735	Netherlands .	2.2405-2.2660	2.2430-2.2440	0.10-0.07c pm	0.45	0.28-0.25 pm	0.4
		TUV	724	<u> </u>	,,,,	Belgion	41.24-41.60	41.20-41.30	4-6 c dis	-1,44	15-19#s	-14
" Selling I	ate.					Deggtark	7.484-7.574	7,494-7.494	1.85-2.45 ore dis	-3.41	6.00-6.60dis	-3.3
_						W. Germany .	1,9835-2,0055	19860-19870	0.25-0.22pf pm	1.41	0.69-0.64dls	-1.3
		-	-			Portugal	1454-14612			-9.83	325-425c dis	-10.2
FORW	AKU	KAI	E3			Spain	131.50-132.72	131.50-131.60		-7.01	195-23565	-6.4
AGAIN	ST S	TER	ING			Italy	1370-1388	1370%-1371%	5-6 fire dis	-4.76	17-18 ¹ 2dls	-5.3
MANAGE .	J	,,,,,,	4144			Norway	7.2912-7-351	7.2912-7.30	5.40-5.70 ore dis	-9.08	16.10-16.50dis	-8.5
			3		12	France	650-6564	6.50 - 6.51	1.30-1.50c dis	-2.56	4.70-5.10dis	-29
	Spot	mets	with:	enths	untirs	Sweden	6.824-6.874		1.55-1.75ore dis	-1.01	4.70-5.10ds	-2.9
						Japan	154.10 155.20	154.35-154.4		1.20	0.38-0.33pm	0.9
US Dollar	L4335	L4280	14165	L4003	13/28	Austria	13.964-14.094	13.971-13.984	%-la gro pm	0.38	4pm-14ds	-0.2
0-mirk		2,8332				Switzerland	1.6150-1.6345	1.6175-1.6185	0.35-0.30c pm	2.39	0.78-0.73 pm	14

Sterling improved on Friday UK trade figures, and the record

Nothing had been settled however. The pound had scraped through without sufferiog a full blown crisis, and the authorities had succeeded to avoiding en immediate rise in IIV hout the sufferior and the market will require satisfactory replies from the Chancellor on Thursday. immediate rise in UK hank hase

LONDON

Est Volume 66 11111

Est Volume 0 (01 Previous day's open Int 0 121,998)

March 166,60 — — Estimated volume 275 (370) Previous day's open int. 2,624 (2,654)

March 92.79 92.78 92.77 Estimated volume 5,045 (3,597) Previous tlay's open Int. 24,626 (24,253)

Dec. 96-02 96-26 95-24
March 95-05 — —
June 94-05
Estimated Volume 4,181 (3,490)
Previous day's open int. 6,865 (6,952)

CURRENCY FUTURES

POUND-\$ (FOREIGN EXCHANGE)

Spot 1-mah, 3-mah, 6-mah, 12-mah, 1,4335 1,4280 1,4165 1,4003 1,3728

Under the surface however

High 94.26 94.16 93.94 93.60 93.17

Close . High Low ... Prev. 163.50 163.90 163.05 164.20 166.60 167.20

94.17 94.09 93.87 93.56 93.17

92.81

20-YEAR 12% NOTIONAL GILT \$50,000 32#ds of 100%

Prev. 111-11 111-09 111-09

dealers have not forgotten the last Some fairly pointed questions

to influence the dollar, a went The oil news was not encourage from US producer prices for lng for sterling, nmld reports of September on Friday there were high production by Opec, shead of the agreement to limit output from September, leading to a high level of world oil stocks and fairly linw demand.

The mooey supply figures passed off without ton much fuss, but september on Friday there were no other economic figures last week. Higher energy prices resulted in a rise of 0.4 per cent in level of world oil stocks and fairly the production of the producer price index, compared with 0.3 per cent in August. This was towards the top end of most forecasts, and may sound a

					-				
_	1.0H(D(H) £12,500			NS					
Mar. 0.97 2.22 4.31 7.28 11.02 15.33 19.99	Strike Price 1:35 1:40 1:45 1:50 1:55 1:60 1:65 Previous Votame:	3.00 0.15 0.05 0.05 0.05 day's op	Calis- Nov. 3.65 1.20 0.30 0.15 es int:	1980 4.00 1.75 0.70 0.25 0.15 0.70 Calls 2,62	Mar. 18.50 4.95 2.75 1.45 0.75 0.30 1.50 20, Puts	0ct. 0.15 2.35 7.35 12.35 12.35	Puts- Nov. 130 3.95 8.15 13.00	Last 0ec. 1.50 2.20 5.05 8.90 13.50 18.95 18.70	Nar. 2.20 4.55 7.55 11.25 15.56 20.10 20.20
	LIFFE—A			OPTIONS	•				
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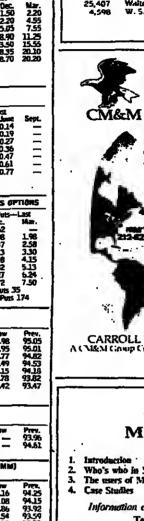
IMM-STERLING SA per E U.S. TREASURY BILLS (UMM) Latest 1.4230 1.4055 1.3890 1.3755 High 1.4240 1.4075 1.3910 1.3760 LIFFE-STERLING £25,000 \$ per £ Close 1.4200 1.4025 1.3873 High Low 1,4170 1,4150 1,4015 1,4015 1.3873 — ted volume S (403) is day's open int 927

CHICAGO March Sept. Dec. .
March
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waroing hell about inflationary pressure, but is possible not bad news for the dollar, since an end to the downward spiral in inflation may discourage the Federal Reserve from another cut in its

discount rate. Central hank intervention on Tuesday halted the dollar's decline at DML9815, and even after Mr Koehler's comments un Friday the market showed rejuctance to provoke the Bundesbank by pushing the rate below DML9850. Further direction may be sup-

plied by this week's US economic data, including retail sales Wednesday, business inventories Thursday, and housing starts



Jackson Group 129
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THE FINANCIAL TIMES is proposing to publish a Survey on MARKET RESEARCH

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MONEY MARKETS

Continued agitation over higher rates

PRESSURE EASED nn interest rates on the London money marrates on the London money mar-ket on Friday, but doubt and con-fusion was evident throughout the week. On Manday the authorities sold the £800m of gilt taplets announced the previous Friday, and as dealers had come to auspect the UK mnney supply figures nn Tuesday were better than the general level of firecasts.

The taplets hed encouraged hopes that forecasts in the region nf 3 per cent for the monthly rise in sterling M3 were too high. By the time the rise of 1½ to 1¾ per cent was announced it was not a great surprise, although a relief w

FT LONDON INTERBANK FIXING

bid 5 %	Offer 5 %	bid 5 ¾	Ofter 5 %
The banks are Nation Parts and Morgan (reference banks at 11.0 of Tokyo, Deutsche Bac	O a.m. each working da ik, Banque Nationale d
BANK OF EN	IGLAND TREASURY	BILL TENDER	

Paris and	Mon	dau Grau	and Lu	ister ISL	ванк, в	ank o	1 Tokyo,	Deutsche	Baok,	Barrque	Næ	ı
BANK	OF	ENGI	AND	TR	REASU	RY	BILL	TEND	ER			
			Oct	. 10	Oct. 3					Oct. 1	न	-

Total ellocated Total allocated Minimum accepted bio Allotment at minimum leve	=		verage rate of discount verage yield	£100m	£100m			
WEEKLY CHANGE IN WORLD INTEREST RATES								
LONDON	9cz. 10	chude	NEW YORK	Oct. 10	change			
Base rates	10	Unch'd	Prime rates	71 ₂ 54	Unch'd			
7 day interbank	104	⁵ 2	Federal Funds 3 Mth. Treasury Bills	5.20	t _a 0.27			
Treasury Bill Tender	_	l –	6 Mtb. Treasury Bills	5.33 5.65	-0.09			
Band 1 Bills	912-913 972	Uncird	3 Mth, C 0	5.65	-0.08			
Band 3 Bills	91, 92,) <u>**</u>	FRANKFURT					
Band 4 Bills	911-912	+1	Lombard	55	Unch'd			
3 Mth. Treasury Bill	104	-12 +:2	One mith. Interback	4.525 4.525	0.05 0.05			
1 Mith. Bank Bills	10 ¹ 4 10 ¹ 4	+4	PARIS	-	- 0.05			
TOKYO	104	T 16	Intervention Rate	7.00	Undre			
One months Bips	4.71875	-0.0625	One muh.laterbank	71 <u>a</u> 7 <u>a</u>	Unch'd			
Three months Bills	4.84375	Un¢h'd	Three month	7.	+&			
BRUSSELS		١.	MILAN					
One month	7. 73	+4	One month	10%	—ia —,i₄			
AWSTERDAM	11	77		10%	~16			
One month	54	۵- ا	OueLin	135.	+6			

UK clearing bank hase lending rate 10 per cent since May 22

would not normally have been regarded as a good figure.

(11.00 a.m. Oc	L 101 3 months U.S. dollars	6 months	U.S. dollars
· bid 5 ½	Offer 5 %	bid 5 ¼	Offer 5 %
offered rates for \$1	e the arithmetic means, rounde Om quoted by the market to live a ional Westminster Bank, Bank o Guaranty Trust.	reference banks at 11 i	10 a m. each worklonday

offered rates for \$10m quote	d by the o Liminster Trust.	Bank, B.	ounded in the nearest one-size live reference banks at 11,00 a ank of Tokyo, Deutsche Bank, IRY BILL TENDER	m each se	ark last stan
		Det_ 3		Oct. 10	Oct. 3
Bills on offer Total of applications	E300m	£100m	Top accepted rate of discount	=	

Total allocated		<u></u>	verage yield unount on offer at next cende		£100m
WEEKLY CHAN	GE IN	WORLD	INTEREST RATE	ES	
LONDON	9cr. 10	change	NEW YORK	Oct. 10	change
Base rates 7 day Ingerbank 3 month interbank Treasay Bill Tender Band 1 Bills Band 2 Bills Band 3 Bills Band 4 Bills	10 94 104 912-913 94-94 94-94	Unctr'd	Prime rates Federal Funds 3 Mth. Treasury Bills 6 Mth. Treasury Bills 3 Mth. C 0 FRANKFURT Lombard	71 ₂ 54 5.20 5.33 5.65	Unch'd l _k 0.27 0.09 0.08 Unch'd
3 Mth. Treasury Bill 1 Mth. Bank Bills	104 104 104 104	-0.0625	One meth. Interbank	4,525 4,525 7,00 7½	0.05 0.05 Undr'd
Three months Bills	4.84375	Unch'd	Three month	7.	+4
One month	7.5 73	##	One month	10% 10%	~!e

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the work.

were prepared to accept, provid-ing bills over a also sold at the established levels. rates. No hills wer allotted et Fri-

6 months U.S. dollars	NEW YORK	Treasury Bills and Bonds
regarded as a good figure. It helped end any immediate pressure in the merket for a rise in hank base rates, but did not stop speculetion that an increase remained likely in the near lature. The market became very nerwous shead of the speecb by Mr	established levels. Although dealers were disappointed that Mr Lawson decided to delay a statement on sterling and interest rates until his speech at the Mansinn Hnuse this Thursday, the money market was calmer nn Friday, with all bills sold in the Bank of England at prevailing	nalled a general rise in interest rates. No hills wer allotted et Friday's tender. The authorities are likely to continue to resist higher rates, but against a hackground of considerable nervousness not everyone in the City would be prepared to het that base rates will still be 10 per cent when the Chancellor speaks on Thursday.

onths U.S. dollars	NEV
Ofter S %	(4 p.
I one-sixteenth of the bid and it 11,00 a.m. each working day, he Bank, Banque Nationale de	Prime Broker Fed. fu Fed. (u
NED .	

0ct. 10	Overnight	One Month	Two Months	Three Months	Six Months
Frankfurt Paris Zurich Ansterdam 7 okya Millan Brussels Dublin LONDON MON	410-420 77s 7-11s 5-2-5-2 4.46875 101s-111s 7.80 12-123s	4.45-4.60 7-6-7-7-2 3-6-3-2 5-6-5-7-4 4.71875 10-6-111-8 7-1-7-13-1	4.45-4.60 7%-7% — — — — — — — — —————————————————	4.45-4.60 71-75 4-414 5.3-515 4.84375 105-1115 7.3-7.2 1314-1414	4.45-4.66 7(1.77) - - - 141 ₈ -145
0a. 10	Over- night	7 days notice	Mosth	Titree Months	Six Months
leterback	. B-16	9.91,	10'-10'	102.102	10½-11

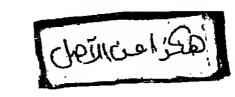
Nigel Lawson, the Chancellor, on

0ct. 10	Over- night	7 days notice	Morth	Three Months	Six Months	One Year
nterbank Lerling CDscal Authority Depositscal Authority Bonds -cal Bonds -ca	8-16 82-9 		104-107 103-107 103-107 113-107 104-107 104-107 107-5-50 6-64-7-72	10 (2-10 (2) 10 (2-10 (2) 10 (2-10 (2) 10 (2-10 (2) 10 (2)	10½-11 10½-10½ 10½-10½ 11½ 11 10½ 10½ 5.70-5.75 6½-6& 7.2-7.6	10%-11% 10%-10% 10%-10% 11%

Thursday, Some discount houses there was continued evidence of were keen to sell hills to the Bank agitation. For the second week

of England at a rate 's per cent running the discount houses bld above the established interventor Treasury hills at rates tion levels, and the authorities unacceptable to the authorities.

Treasury Bills (sell); one-month 9% per cent; three-months 9% per cent; Bank Bills (sell); one month 9% per cent; three months 10 per cent; Treasury Bills; Average Lender rate of discount-ECGO Fived Finance Scheme IV reference date September 3 to Detober 7 fincksive): 10,355 per cent. Local Authority and Finance Houses seven days notice, others seven days had. Finance Houses Base Rate 10 per cent from October 1, 1986: Bank Deposit Rates for sums a leven day notice 4.35-4.375 per cent. Certificates of Tax Deposit ISeries 61: Deposit £100,000 and over hel under one month 91 per cent; on-three months 9% per cent; intree-six months 10 per cent; samming months 10% per cent; and the series 51: 10% per cent; three-six months 10 per cent; days for the series 51: 10% per cent. Deposits belid under Series 5 10% per cent. Deposits olthdrawn for cash 5½ per cent.



SECTION III

FINANCIAL TIMES SURVEY

Management Consultancy

The harsh economic climate early this decade has, paradoxically, led to a revival in the fortunes of management consultants as the corporate sector has sought help in raising efficiency

IF THERE could have been only one sector which prospered in the difficult years of the 1980s, it would have had to the 1980s, it would have had to be management consultancy. With hindsight, it can be seen that all the ingredients for suc-cess were present for those con-sultants who are well managed (amprisingly, not always the case), reasonably aggressive, and able to offer the client consistently and service.

consistently good service. After the boom years of the late 1960s, when management consultancy might be said to have been discovered (although the origins of the profession go back very much further), the atmosphere began to change. Consultants, perhaps more intent on theoretical than practi-cal solutions, cast a cloud over the practice, which rather went out of fashion.

But the harsh economic climate in the early 1980s, cul-minating in international economic recession and causing companies to pare down their staff in all but the most essential areas, led paradoxically to a revival in the fortunes of management consultants. They were being increasingly called in to provide advice that was no longer available in-house.

This trend of the 1980s is consistent with the growing tendency for the corporate sec-tor to place their intermittent need for business services out-side their own establishments, whether it be management of long been users of consultants, their vehicle fleets, executive but in the late 1970s they were recruitment or public relations consultants. In the case of management consultants, how-ever, the advice they can give is, frequently, critical to the

The quest is on for value for money

By HAZEL DUFFY

vices has been the explosive growth in the application of computer systems, information technology and telecommunications, on which companies need tions, on which companies need expert advice regarding the choice of system, its implementation and consequent reorganisation of human resources. It was a need quickly spotted by the more agile consultants a few years back, and it continues to be the most it continues to be the most dynamic growth area. PA-Technology, for instance, is enjoying annual growth of 30

Still working in the consultants' favour is the emphasis on value for money in the public sector — the buzz word in government circles since 1979. Like manufacturing, the public sector has been under growing pressure from the Government to improve performance with smaller, or at best static bud-

joined by local euthorities and more recently by the Netional Health Service in programmes designed to boost efficiency. The increasingly management-orientated style of the civil ser-

sector lively for consultants, although some slowdown in growth around an election is probable.

Manufacturing technology is

Manufacturing technology is another growth area—computer aided design and manufacturing, robotics, small batch systems—fostered by industry's need to streamline its manufacturing, and to identify and design products which it can bring quickly to the market.

The increasing concentration of manufacturing on an international basis is empected to intensity the demand for such aids. It is an area where the major consultants face considerable competition from specialist consultancy practices lake Ingersoll.

While the more hard-pressed of the accountants, says:
"Growth in the market makes
this an exciting business but
some of the problems in coping While the more hard-pressed sectors of the economy call on consultants, the expanding services sector provides an equally challenging market. The changing face of retailing is one example, while banking, and financial services before the Big Bang, have found substantial need for technical consultancy and improved managerial

and improved managerial systems consequent on the rapid Fee income of the member firms of the Management Consultancies Assocation (covering about 60 per cent of the

most vigoromly among the secontants, (revenue this year will exceed £40m) explains his strategy: "We decided a few years back to offer our services years tank to ther our services increasingly on a sector basis, like retailing, transport, etc. This means that we try to recruit people who are both sector special skill." Nine of Coopers' 40 directors have been eccepted. 49 directors have been recruited from senior positions outside.

Trying to ensure consistent high standards of professional competence—in addition to the reputation of the firm—is the Institute of Management Consultants. Membership is personal, irrespective of the firm, and there are moves to scrutinise and admit as affiliates the many consultants who previous PA, Arthur D. Little and other major American-owned firms) doubled in the UK between 1983 and 1985 to executive director, predicts con-tinuing growth but less rapid than recently. many consultants who practice on a part time basis—university lecturers, for example. Neverthe less, so far this year, 15 per cent of candidates applying for membership have been refused. ingly difficult to get people of the right calibre," he says.

Mr Neil Kilpatrick, chief exe-cutive PA, still the market leader, in spite of the on-slaughts of the consultancy arms of the accountants.

refused.

Personnel is the major selling point of consultants, along with the ability to deliver the clients' required scale of benefits and effect change speedily and effectively, all of which requires considerable skills. The consultancy business is already highly competitive—most jobs highly competitive—most jobs are won on competitive tender—and the ability to offer these skills will be paramount in

PA, which with Inducon and P-E, are the largest indepen-dents, face tough competition dents, face tough competition from the consultants who are part of the big accountancy firms, as well as from the smaller specialist consultants in this fragmented industry. The larger software houses also compete in the key IT areas.

Mr David Miller, managing director Coopers & Lybrand consultants, which has expanded



MCA Trends 1981-85

	(£	100s)			
Fee income	1981	1982	1983	1984	1985
British Isles	45,036	57,512	70,707	98,129	142,232
Overseas	19,171	22,090	24,096	24,173	26,280
Total	64,207	79,602	94,803	122,317	168,512
United Kingdom					
Private sector	38,036	45,422	52,503	71,479	107,683
Public sector	6,951	12,092	18,204	26,660	34,549
Consultants	1,720	1,871	2,581	2,902	3,383

the outset, but today consultants win business on their own reputations.

are won on competitive tender—and the ability to offer these skills will be paramount in deciding the successes.

In the past three years, there have been considerable changes in the sector: most obviously, the growth of the accountants consultants, which has sprung from the desire of the accountancy firms to find an activity outside the slow growth traditional and iting and accounting. Audit clients provided much of the business at

Whinney and Stoy Hayward making their mark, Also during this period, P-E went public, and Price Waterhouse took over the old-established Urwick, Orr. Considerable interest will be focused on the recent departure of Mr Gordon Edge from PA Technology, which he built up.
But the biggest question
mark over the future of the
sector is posed by Saetchi and
Sastchi's takeover of Hay MSL
two years ago, which was the
spearhead of a bid to get big

Marketing Services Accountancy-based Overseas In the Regions The Big Bang Information Technology 6 Manufacturing and Robotics

Recruitment and Training 8 **Business Planning** Independents : Temporary Executives **US Trends** Guide for Users

worldwide is under way, with recruitment advertising and (Hay's traditional being separated from the man-agement consultancy.

executive, Mr Claudio Belli, has been brought in to head and strengthen the consulting com-pany. Saatch's plans could well find eppeal with other big groups in services which have not so far included management



lanagement Consultancies Association

total £142m. Mr Brian O'Rorke.

One reason for his prediction: Firms are finding it increas-

with that growth are apparent. The clients want specialism. We have to provide in-depth exper-

tise, which has quite substantial

implications on how you staff and manage the business."

11 West Halkin Street, London SW1X 8JL. **Telephone 01-235 3897**



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MMM Consultancy Group Ltd Houndmills Road Basingstoke Hants RG21 2XN

Pannell, Kerr Forster Associates 78 Hatton Garden London EC1N 8JA

Peat, Marwick, Mitchell & Co Management Consultants 1 Puddle Dock, Blackfriars London EC4V 3PD

P-E Consulting Services Ltd Park House Egham Surrey TW20 OHW

Price Waterhouse **Management Consultants** 1 London Bridge, London SE1 9QL

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Spicer & Pegler Associates 65 Crutched Friars London EC3N 2NP

Stoy Hayward Ltd 8 Baker Street London W1M 1DA

Touche Ross Management Consultants Hill House, 1 Little New Street London EC4A 3TR

Confidential Client Information Service

The Executive Director of the Association maintains records of the specialist skills and industry experience of member firms. He is in a position to provide potential clients with a shortlist of member firms whose project experience matches the task in view. Such advice is impartial and confidential.

Brian O'Rorke, Executive Director, Management Consultancies Association, 11 West Halkin Street, London SW1X 8JL							
Please send details of the Ass	ociation and the services your member firms provide:						
Name:	Firm:	_					
Address:							
Tel:	Postcode:	_					
		_					

The Management Consultancies Association was formed in 1956. Its primary purpose is to ensure that management consulting work is carried out toexacting standards by requiring adherence to a code of professional practice. The Association also prides itself upon its stringent conditions for membership which relate to the stability, experience and qualifications of its professional workforce. These are verified annually. Approximately 60% of the management consultancy work known to have been undertaken in the United Kingdom in 1985 was carried out by members of the Association.

The services provided by Members include:

- Corporate Strategy & Organisation Development
- Marketing Sales & Distribution
- Manufacturing Management & Technology
- Finance & Administration
- Executive Selection
- Personnel Management & Training Information Technology
- Economic & Environmental Studies

Sharpening the image of corporate identity

CONSULTANCY services to to keep up. Many practitioners direction of their clients expent the hundreds of smaller consultancies who Scott acquired Bigs Lancaster; companies have ranged increasing in these areas lack the strict sive services such as exhibitions sultancies, may have reached have the contacts in the City. and Lowe Howard Spinks ingly in recent years away from disciplines of a traditional and brochures, for which they ing services, such as public the validity of the marketing relations, advertising, design service approach. and market research.

All these marketing service operations have sought to show that an important element in consultancy work is the image a company or organisation presents to its various audiences either internally or externally—and bow to get most effectively the true message

of the business, marketing services consultancy can help companies understand more fully their corporate objectives and

strict interpretation of management consultancy—with can charge cost-price plus an anagement consultancy to the consequence that many agency fee of between 15 and cover a broad variety of market- users are beginning to query 20 per cent.

The fastest-growing market-ing consultancy sector of the 1980s has, without doubt, been the public relations consultancy business. The fact that PR companies call themselves consultancies — as opposed to bowever, has still grown from agencies — clearly reflects that they do see themselves very much as earning their fees through their intellectual knownledge rather than simply acting municating messages. as an agent (as happens with advertising agencies).

This is the reason why some PR "consultancies" reveal a relatively low fee income from their consultancy work but still manage a bealthy profit from charging their agents' commis-sion on providing services. Public relations in the UK,

Figures from the Public Rela-

vices consultancy can help companies understand more fully their corporate objectives and communications goals.

The drawback to this increasingly important function, bowever, is that the demand has grown too fast for the quality of marketing consultancy work

Tigures from the Public Relation to many PR to

growth in the early 1980s was the recession, which saw many companies cut back on their

new areas requiring communi-cation skills were opening up. The growth in technology-orientated companies, for example, was a new source of business for consultancies to use traditional PR techniques to explain the complexities of

The key factor behind this sultancy growth has been the trowth in the early 1980s was emergence of new media opportunities—such as breakfast the recession, where companies cut back on their above-the-line advertising expenditure in favour of much cheaper below-the-line promotion from PR and other services.

As a result of this upsurge in demand there has, not surprisingly, been a restructuring the past year.

prisingly, been a restructuring of the sector over the past year. A number of leading consultan-

Good Relations Group.

Although there are disturbing signs that standards in PR are actually slipping—a result of too much demand with too few able practitioners—some PR consultancies are trying to take a more disciplined

Reginald Watts Associetes, for example, carries out detailed communications audits The growth in technologyorientated companies, for
example, was a new source of
business for consultancies to
use traditional PR techniques
to explain the complexities of
high-tech to a lay audience.
The booming stock market
after the recession—allied to
the spate of new issues and
takeover activity—gave a fresh
impetus to financial and corporate public relations. The Big
Bang this month will further
Bang this month will further

The growth in technologyorientated companies, for
market or Unlisted Securities
Market listing—with mixed
the susing their
quotation to help finance
acquisitions of other small to
medium-sized consultancies.

Large advertising agencies
thave also sought to establish
themselves in the PR sector
through acquisition. Saatchi &
for companies—costing up to
for companies—costing

phone an analyst or two and then interview the client's board of directors, culling the best quotes before calling the whole thing a communications audit," he suggests.

"We have developed a series of clear methodologies and disciplines that give clients all they need to gain competitive advantage in the market," he

Apart from the growth experienced by PR con-sultancies in the 1980s, other sectors—notably design con-sultancies—have also benefited from a greater awareness of marketing consultancy services.

Design has developed in the 1980s as something of a cottage industry on the fringes of business awareness to spawn a number of major design con-suitancies able to deal on an international basis with even the largest of clients. A growing awareness of the need for an effective corporate identity has

encouraged companies and organisations to use specialist design consultants to create the right image on everything from stationery to shop fronts.

The designer, to achieve the right effect, has to delve deep into the corporate culture to ensure that the right message

is getting across.

Direct marketing consultancies are another fast-growing sub-sector of the marketing industry. marketing is increasingly seen as a bighly effective means of reaching specialist target groups, especially in business-to-business marketing and in the booming financial services

But further growth in all areas of marketing services operated by specialist consultancies will clearly depend on a corresponding raising of standards and a more disciplined approach.

David Churchill

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51 Gory's lon Road CONSULTANTS Accountancy-based consultancies

Diversification sets the trend

TO USE the term "accountancy-based consultancy" to the partner in charge of some such

reaction.

"We do not use such language," said Mr David Morris. head of the Manegement Consultancy practice at Peat Marwick Mitchell. "We are totally involved in management consultancy — our practice was established in 1957 as a separate and it operates entirely entity, and it operates entirely in its own right."

Other practices, bowever, take a rather more relaxed view, confident perhaps that with accountancy-based consultancies showing even more rapid growth than most independent firms, they are not really required to prove themselves. Coopers and Lybrand and Touche Ross both mately 50 per cent for their management consultancy prac-tice in recent years; while Arthur Andersen's 8,000 personnel working in management consultancy worldwide matches the 8,000 the firm employs on the accountancy side. These practices can certainly not be considered the Johnny-comelatelize of the management conlatelies of the management con-sultancy world.

There are a number of obvious benefits resulting from the link with accountancy practices. One is the possibility of sparing clients: management consultants was derived. from 7 per ceut up to 50 per cent of their business from clients of the accountancy prac-tice with which they are linked. Gareth Stainer of Deloitte Heskins and Sells points out that this provides a certain amount of protection from the cyclical nature of management consultancy — the audit prac-tice provides a solid underlying

However, the link between accountant and management consultant is under threat from a proposal from the Department of Trade and Industry that the two services should not be provided for a client by the same firm. Predictably enough, the suggestion has been greeted with something of a raspberry by the profession, and is con-sidered most unlikely, in fact,

sidered most unlikely, in fact, to go through.

For one thing, such a move would contradict totally the changes now taking place in the City; but in addition, there seems very little real need for the change, as Mr Brian Pomeroy of Touche Ross points out: "In theory you could conout: "In theory you could construct situations where there might be a conflict of interest; but in practice they never seem



David Andrews, responsible for advanced IT at Arthur

important, since to stay in front of the IT business you beve to invest a lot in training."

Mr Morris at Peats adds that it is useful for the accountant to be able to bring a wider involvement to his elient. He also points to instances where services may draw on both skills: for example, when doing feasibility studies it is useful to involve people skilled in accountancy as well as others practised in market information techniques.

The progression from accountancy to management consultancy occurred fairly naturally in the 1960s and 1970s as a result of such projects: the consultants began by doing accounting-related work and gradually diversified away

Today, however, diversifica-tion is proving to be the key, as Mr Bob Simm, partner in charge of Human Resources at Peats, explains: "Organisations to arise."

Arthur Andersen is one firm where, even if the DTI proposals were to go through, they would not have a very severe effect: only 7 per cent of the consultancy's elients come from the audit side. However, the practice sees other advantages

Peats, explains: "Organisations are becoming more sophisticated in their use of management consultants. Increasingly they will decide to buy in expertise as and when needed, to avoid high payroll costs; with the result that the consultances develop as centres of excellence."



Andersen: important to have an international outlook in the financial world. Right, Mr Brian Pomeroy of Touche Ross: in practice conflict of interest doesn't arise

in being part of an international organisation of a size which few independent consultancies can match.

As Mr David Andrews, the partner responsible for sdvenced Information Technology and the partner points but it is a partner.

As Mr David Andrews, the partner responsible for sdvenced Information Technology and the partner points but it is a partner.

logy points out: "It is particularly important to have an infact food chains, construction larly important to have an international perspective in the strategy; organisational work infancial world — banking is (particularly important for engineering extending right the truly international today. We management buy-out companies, way through from nuts and bolts truly international today. We management buy-out companies, way three have offices in London, New and others in similar situtors. And others in similar situtors are needed. Our internation-alism also enables us to centralise our research and development, and our training programme, which centres on Chicago and Geneva. This is divisions in the UK, and has the other statement and training.

Deloittes, meanwhile, has one of the largest computer security mation, there is no companies, and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have offices in London, New and others in similar situtors way three have of the similar situtors way three have offices in London, New and others in similar situtors way three have of the largest control of the largest companies, and others in similar situtors way three have of the largest control of the largest companies, and others in similar situtors way three have also similar situtors way three have of the largest control of the largest companies, and others in similar situtors way three have a similar situtor way three have a similar situtors way three have a similar situtor way three have a similar situtor way the similar situtors way three have a similar situtor way three have a Deloittes, meanwhile, has one of the largest computer security divisions in the UK, and has just launched a new security

software package for micros. The firm is also closely involved in developing Expert Systems: besides seminars and a new booklet on the subject, it is de-veloping for its own use on "ITG Advisor" an Expert System which will help its Information Technology Group to carry out reviews of the Data Processing Function in large

This system is described as being designed to belp the user through a process rather than coming up with unequival systems. equivocal answers—along the lines of the U.S. Expert Support Systems.

Deloittes considers that quite apart from its computer security work, nearly half of its

ness is strongly computer-re-lated. However, there are also interesting developments in other sectors: for example last year the firm arranged a tie-up with a leading specialist in construction project manage-ment, Martin Barnes &

The construction market is the second largest industry sec-tor in the UK economy, and one where projects are becoming increasingly complex— hence the requirement to de-velop a "centre of excellence."

Touche Ross has become something of a specialist in privatisation, and considers itself the leading advisory firm here, having advised the Government on privatising British Gas Thamas Weter Authority Gas, Thames Weter Authority, the Royal Naval Dockyards and

the Royal Naval Dockyards and the British Airports Authority. Arthur Andersen is pethaps the firm whose work reflects most clearly the strong empha-sis on IT within management consultancy: as much as 80 per cent of the practice's business is in this area.

Mr David Andrews, partner responsible for advanced IT, points out that business is becoming increasingly driven by engineering in its broadest sense: successful new initiatives in fast food chains, construction to advanced information tech-

Andersen is setting up a new laboratory (see page 9) in Chiswick, named ATOL (Automation, Technical and Operations Laboratory) designed to enable new, cheaper computing power to be put to practical use in the business environment: it covera robotics, hand-held computers, voice recognition, and many other computer-aided

The consultancy also recently joined up with Rossmore Warwick Limited, a leading exponent of Just-In-Time manu facturing and of advanced manufacturing technology equipment integration.

In the light of all these moves into different areas of operation, right across the board, perhaps the consultancies' reluctance to be thought of predominantly in terms of their connection with accountancy firms is a little understandable.

Catherine Hastings

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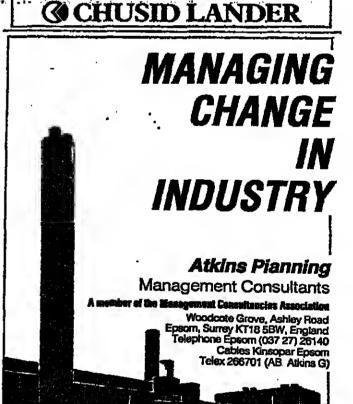
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Unsung invisible exports

CONSULTANCY overseas, not just in management but in swide range of other disciplines, is one of Britain's major unsung invisible exports. Last year, it earned £1,200m. Significantly, that figure is much the same as the amount distributed in overseas aid.

Although the bulk of consultancy earnings derives from the efforts of the individual con-cultancies, the focal point for British consultancy abroad, and respected as such at government level, is the British Consultants Bureau, set up 21 yeara ago.

"Within our membership," says Major General Ian
Harrison, the Burean'e director,
"there is hardly any field of
expertise that is not represented and which prospective
clients cannot call npon."

The Burean is a non-profit-making private association financed wholly by its 300 mem-ber firms, which range from the largest international consult-ancy companies to the smallest groups of associates with per-haps only e couple of partners.

If offers services chiefly in parts will fit—though of course engineering, architecture and planning, surveying, and management and economics, particularly to developing and underdeveloped countries. It can offer, too, many other specialist consultancies, from agricultural management to security consultancies, from fire safety to quarrying, in health care, golf course planning, furniture, banking and much else.

Most of these consultancies It offers services chiefly in

Consultancy work carried out by British firms qualifications and experience of each member consultancy. overseas goes much further than management advice, embracing architecture, planning and provide, from its computerised design, engineering, health care and even golf profiles of firms which are best

always so scrupulous. always so scrupulous.

But as the figures show, the approach pays off in the end.

"Orders for British goods do often follow." Mr Lewis said,
"because the specifications and parts will fit—though of course they must still be up to standard and the right price."

The MCP correction to related

are, of course, in the private sector. They have achieved their successes overseas, says Mr Skichael Lewis, a director of ove Arup and Pariners and the BCB's chairman, by virtue of their integrity and independence, with no allegiance or commitment to contractors, industry or manufacturers.

The other side of the coin, of sultancy services can thus pave the way for British business and manufacture, orders do not necessarily follow. For British goods and services are not always so scrupilons.

The Projects Export Policy section of the Department of Trade and Industry sits on the Bureau also has vital links with aid and development days being it in the World Bank. Again, it is a two-way street, the Bureau ensuring that these international bodies have British consultancy services in the forefront of their thinking, while itself their thinking, while itself their thinking and Ideas on a world scale.

Another important aspect is the Projects Export Policy section of the Department of Trade and Industry sits on the Bureau also has vital links with aid and development that these international bodies have British consultancy services in the forefront of their thinking, while itself their thinking, while itself their thinking of new trends and Ideas on a world scale.

Another important aspect is the Projects Export Policy section of the Department of Trade and Industry sits on the Bureau also has vital links with aid and development the World Bank. Again, it is a two-way street, the Bureau ensuring that these international bodies have British consultancy services in the forefront of their thinking with aid and development agencies such as the World Bank. Again, it is a two-way street, the Bureau also has vital links with aid and development the world Bank. Again, it is a two-way street, the Bureau also has vital links with aid and development agencies such as the World Bank. Again, it is a two-way street, the Bureau also has vital links with aid and development agencies such as the World Bank. Again, it is a two-way stre

Another important aspect is to keep British embassies and their respective ambassadors, high commissioners and commercial official eware, informed and np to date, both with its literature and by means of individual briefings. Many foreign visitors concerned with national development come to the Bureau's London offices, while the Burean itself regularly, sends missions abroad.

The BCB's voluminous directory has a key role here. While it does not diminish the Bureau's readiness to help by collaboration among them-clients get in touch with the selves with particular reference consulting firms that are most suitable for particular projects, lect management, turnkey could assist the development of agricultural programmes, making the diversity of the difficulties of propositions to the use of the most advanced developments in computing and electronic engineering and electronic engineering and electronic engineering and evelopment of agricultural programmes, making the diversity of

The group's broad aim is to raise British experts not only through direct experts but also by collaboration among them-

In addition, the Bureau can

"Almost all projects these days are multi-disciplinary," General Harrison says. "So we usually have to give an inquirer the details of several consultancies. We list them alphabetically and at the same time inform the firms concerned.

"Then it is up to the parties themselves. We are not in-volved in contracts or legalities at all. Often, though, consult-ancies come back to us for further advice or for help on aspects they had not initially

Although the bulk of consultancy is in the private sector, the Burean's nationalised indus-Burean's nationalised indus-tries' overseas group has an im-portant role. Its members include many, though not all, of Britain's basic industries and services, in such fields as energy, heavy industry, com-munications, and transport, as well as bodies like the Crown Agents, the Natural Environ-Agents, the Natural Environ-ment Research Council and

Consultants who know these areas have long been awars, he says, of the difficulties of providing support, both immediate



Major General Ian Harrison, director of the British Consultants Bureau.

potential of "We can achieve such improvements by introducing aid as ways and other transport, and energy infrastructure.

Mr Lewis points to another and rural development of desert countries," Mr Lewis says.

British consultancy overseas, in helping to overcome the problems of famine-stricken regions.

Consultants who know these areas have long been aware. "British consultants have inding supportants of the difficulties areas have long been aware."

in the context of its direct exports for standardisation of distribute food without resort
plant orders placed with British
manufacturers.

The value and potential of
such collaboration is great. A
new steelworks, for example, a polo field and grandstand in Brunei, sports centres in France and Saudi Arabia, a national theatre in Qatar, and hotels, apartment complexes, ski resorts, leisure centres, holiday villages, theme parks, botamical gardens and 200s.

It is an unfortunate fact, as many consultants attest, that in low technology labour-based the past they have lost out solutions to the use of the most advanced developments in computing and electronic engineering applied to infrastructure and housing development."

Thus trating the diversity of the slowness of the slowness of successive governments to respond to their needs and provide it in the form from which British consultancy, construction, and so on can benefit as well, it obviously makes better sense their counterparts in France,

West Germany and Japan, for David Loshak

instance, have long been able to huild upon. The French have been cannier by arranging co-financed projects in collaboration with aid agencies, thus gearing their aid to improving their own productivity. But there are now signs thet the change in attitude which is so essential is occurring in Whitehall. "After all," Mr Lewis says, "Britain gives in aid much the

same amount that British con-sultancies earn abroad. "If you can take that aid budget and provide it in the form from which British con-sultancy, construction, and so on can benefit as well, it obviously makes better sense David Loshak

In the Regions

Unique selling points exploited

Most are set up by people who are already senior consultants with top management experience and with extensive contacts at chief executive three examples of regional level. What they all try to offer is a higher quality of service at charge in the £300-£350 e day lower prices. Their very nature gives them a strong change of the same with a top rate for gives them a strong change of the same lobs of possibly £400.

The reason why is that the consultants who set up such pethods. We do it by keeping firms usually work directly with clients themselves, rather than

clients themselves, rather than administer the consultancy and ably would in a larger, national

HEART BALL w Milit

ANDE

As Mr Peter Shepherd, co-counder of the six-year-old Sheffield-based Consultancy Opera-tions and Personnel Development (OPD), puts it: "Big com-panies employ us because they panies employ us because they get personal attention from the partners. When we are pitching for new business, and the potential client asks when he is going to meet the consultant who will actually be carrying out the assignment, it makes a critical difference to be able to say you will be doing the job yourself."

Mr Bill Hopkins, who founded

Mr Bill Hopkins, who founded Mr Bill Hopkins, who founded the rapidly-expanding March Consulting Group in Manchester with his boss Mr Peter Houghton, former director of P.A. for North; echoes this. "A key to success is making sure that everyone does some proper work and contributes directly to revenue," he says.

The lesson was learned some time ago by what is probably

time ago by what is probably the oldest of the present generation of regionally-based firms, Collinson Grant, which firms, Collinson Grant, which operates from a large detached house set in its own grounds in Swinton, Greater Manchester. "Everyone possible in this organisation is a 'direct' worker earning feee from clients," Mr Len Collinson says. What few indirect staff he utilization rate, Collinson Grant, for example, birrs, cont. says. has secretaries and the like-work for everyone and have been given status in the organisation through the right

to veto any work they are given the fund's overheads.

to type which does not make
sense to them. Even Mr Collinity the regional consultancy that son has had work thrown back at him. He believes the practice at him. He believes the practice ensures better communication in jargoniess English.

When Mr Collinson started in 1970, he left a secure career that had seen him rise to become director of manpower. for Plessey Telecommunications. He wanted to work for himself, and set up with the late Mr James Grant, a senior consul-

tant with Inbucon, who had tired of supervising junior consultants with no senior management experience on big Mr Shepherd of OPD used to head operations for the US-owned consultancy H. B. Maynard. Two other senior men from there joined him. The fourth partner had worked for Peat Marwick Mitchell and had left that firm to run Armitage Norton's management consul-

In March's case, Mr Houghton was gradually joined by other P.A. people over a few months. The firm's name, incidentally, was chosen because he estab-lished the business in the month of Merch, in 1983.

All the principals in these firms appear to have returned with great relish to actlife the principals in these religion, it is actually easier to get to most of Britain from the North than it is from London. ing personally as consultants, rather than managing others.

REGIONALLY-BASED management consultancies are still relatively few in Britain but they all seem to be finding that they can exploit unique selling points over higger, London-based rivals.

The second management of the property of the selling consultancy, rather than doing or supervising it.

a network of freelances and we also score by working in two or weeks, and charging accord-Often, a consultant cannot do client is not ready. We only ask for payment when the consul-

tant is actually performing.

Mr Collinson has 33 consultants on the staff and the firm will turn over about £3m this year. He has been approached about mergers but cannot see the point of expansion if it means that overheads will increase and profitability fall. He is reticent about what the business makes but admits to a

target margin of 20 per cent.
The profits have gone into diversification: Collinson Grant has gone in for direct corporate venturing with an electronics client and, through a subsidiary called Sapling Enterprise, man-ages the North West Investment Fund, a source of regional ven-ture capital for small com-

panies.

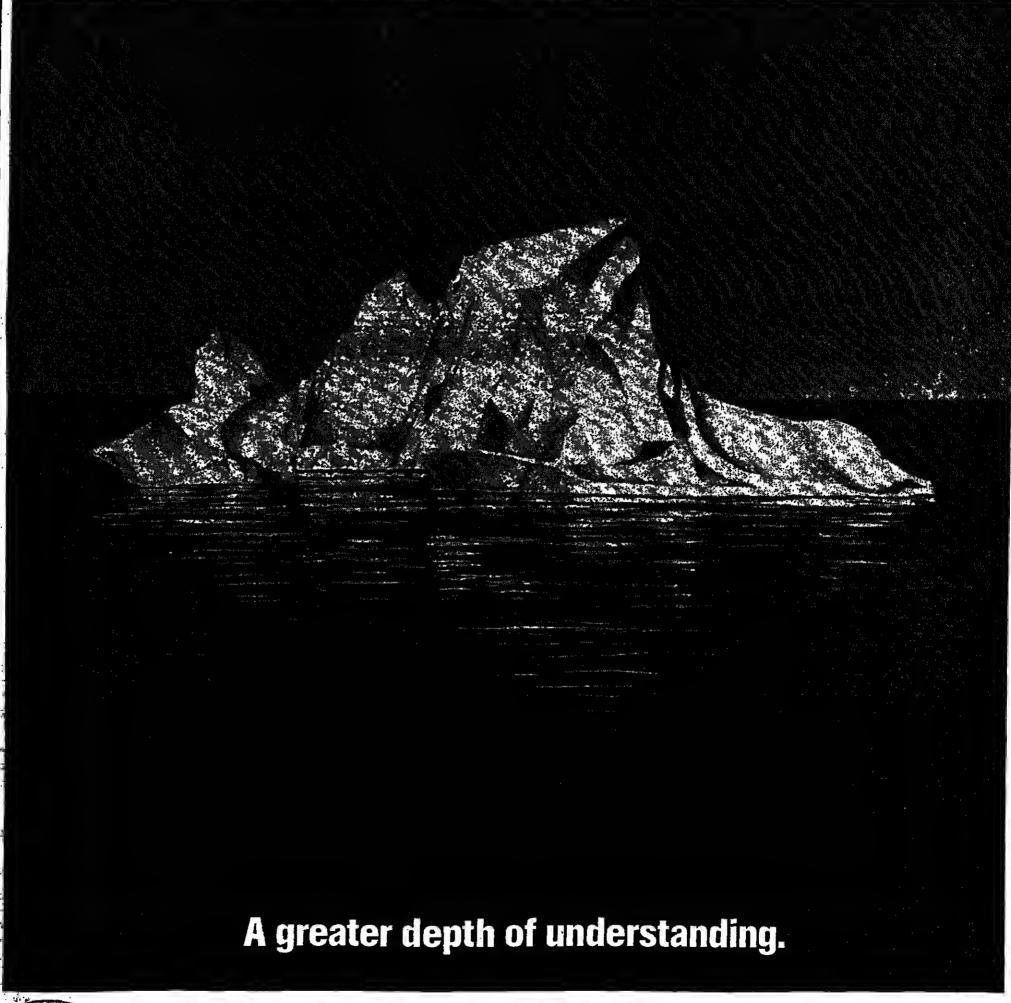
March Consulting Group is also in the funding business, also in the funding business. having set up the Mar ment Fund with the British Gas Pension Fund. It backs larger

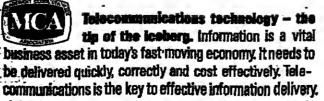
for example, hires out spare consultants to Sapling for investment evaluations on a cut-rate basis, which also keeps down

March, however, is probably
the regional consultancy that
will get biggest. It already has
60 consultants, though the turnover of its main business is still
only comparable with Collinson
Grant's. It has an office in
Windsor and has gone nationwide in prospecting for clients.
It has also opened a branch
in Washington DC, with six local in Washington DC, with an formed US employees, and has formed a joint venture with Professor Bodo Linnhoff, the energy efficiency expert from the University of Manchester Institute of Science and Technology. Mr Hopkins says that some national business is not open to regional firms because some to regional firms because some companies and public sector bodies will always go to high profile, big-name, London-based consultancies, even though the job will be probably done by a

junior consultant with little But that, he says, does not mean that the regional con-sultancies are not national. All draw clients from anywhere Indeed, with the geographic centre of the national motorway network at the crossover point of the M6 and M62 near War-

Ian Hamilton Fazey





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 What opportunities do we have to reduce cost and enhance performance?

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answers lia in applying a practical approach to solving problams rather than pursuing theory.

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Price Waterhouse



The Big Bang

The City opens up a new market

THE RUN UP to the Big Bang has created a new market for financial institutions. with deregulation of the com-missions structure in the securities markets, the opening of the Stock Exchange to new kinds of members, and the internation-alisation of trading, the whole business of finance has had to change rapidly.

In the City, manage sultants have found clients who must tackle a series of managerial problems they have never faced before. The heightened competition which will be un-leashed on October 27 makes the price of strategic advice and implementation of systems less important than actually getting the business structured to meet the onslaught.

The consultancy arms of the big accountants, with their City contact, are in demand. They have hrought some of their people back from US offices, for their experience of American markets and superior technology to be put to use in London.

consultancies are able to sell their ex-pertise on bow deregulation

division has grown from eight professionals to 55 in three years, with another 25 or so on secondment to the division from other parts of the firm.



The foreign dealing room at Morgan Guaranty: ready to meet tougher competition

35 consultants, with 40 per cent of its clients coming from the City over the last six months. The financial sector is becoming an important source of fees for management consultants. In 1985 it accounted for almost a fifth of the income earned by fifth of the income earned by members of the Management Consultants Association, a rise of 25 per cent over 1984. At Arthur Andersen, among the higgest consultancy firms internationally, some 35 per cent of fee income derives from financial services sector assignments.

pertise on bow deregulation affects players in the markets—they saw the same process in New York's Mayday in 1975. But other firms of general consultants, like Incubon, and computer-based consultants like Hoskyns and BIS, are also finding work in the City.

Ag a result of the demand for their services the consultants are expanding. Coopera and Lybrand's financial services than they were a few years are expanding from eight are more effective users of consulting services than they were a few years are expanding. The business to installing individual systems. "Clients are more effective users of consulting services than they were a few years are expanding. The kind of projects they have been called in to advise on or undertake for City firms structuring the business to installing individual systems. "Clients are more effective users of consulting services than they be a few years are expanding. The kind of projects they have been called in to advise on or undertake for City firms structuring the business to installing individual systems. "Clients are more effective users of consulting services than they be a few years are expanding. The properties of the projects they have been called in to advise on or undertake for City firms structuring the business to installing individual systems. ment Consultants. "Even at the point where they have been talking about mergers we have been brought in."

The Cambridge, Massachu-

Price Waterhouse has been asked to carry our what amounts to a corporate finance task—doing a preliminary search for merger candidates. Then, once the bidding is opened with a prospective partnership, it has done further investigation and brought in its anditing practice. It has made use of the strong relationships it has with brokers in the City to find out who might be interested and the shape of their business. Valuation of a stockbroking or jobbing business brings its own difficulties to a prospective buyer, so consultants are called in. But in the rush to be in the market by October 27 Price Waterhouse has been

be in the market by October 27 some unwise decisions may have been made.

"You could not justify the prices based on the economics of what businesses were generating," said Mr James Kelly, senior vice president of MAC Group. "With price deregulation, brokerage firms are going to produce some real red ink."

Once a merger has gone through consultants have been brought in to put the organisations together. Sometimes Peat Marwick has built up setts-based MAC group has also through consultants have been specialisation in recruitment been called in to advise on the brought in to put the organisation work. Its desirability of an acquisition—tions together. Sometimes the started two years ago and has to buy into the equity or gilts Marwick, for instance, has

Consultants have also accoured the City for the kinds of experts their clients are short of dealers, whose telephone number salaries have become legendary, technologists and financial controllers, and run training courses to alert brokers and jobbers to situations where conflicts of interest could arise in the same organ-

Some, like Price Waterhouse, are bringing American techniques of profit measurement to the London market. These were developed in the wake of New York's deregulation of

The City is fertile ground for the management consultants because the multiple changes have flung the finance sector into unfamiliar territory and imposed a tight deadline. But imposed a tight deadline. But demand for their services is unlikely to peter out at the end of the month. Decisions about what areas of

business to be in, what com-puter and telecommunications puter and telecommunications systems to buy, what kinds of people to employ and how to pitch pricing have all been taken hastily and with no real knowledge of how the markets are going to work.

The whole area of managing big projects is unfamiliar to the City, in a way which is not true of manufacturing industry. Neither is pruning the costs of a hack office while boosting its efficiency normally the concern

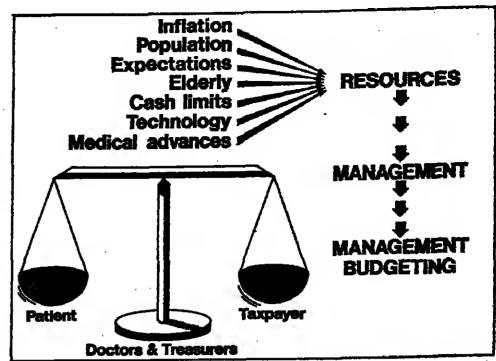
integration for the new conglosis integration for the new conglomerate.

In other cases a firm decides what it wants the shape of its business to be and brings in cutside consultants to make it happen. Arthur Andersen has lad 70 people at a merchant banking subsidiary of a UK cleaving bank for 18 months. The bank wishes to become an international investment bank, and has trebled its staff over the period. "We are designing, programming and implementing the systems needed for the bank to be in business at all," said Mr John Skerrit, pariner at Arthur Andersen's financial markets division.

Occasionally consultants have rescued City firms from the jaws of disaster after being called in for a routine check. "At least one organisation we cought in the nick of time in efficiency normally the concern of the City's senior executives —now it is vital for commercial

expect finance houses to begin to engage in long-term strategic planning once the explosion of Big Bang is spent, something they cannot hope to do in the present turmoil. That would generate more work for the consultants on all the fronts where they already operate.

Sue Landau



Arthur Young's view of the pressures for improved resources control in the National Health Service

Public Sector

Biggest potential is education sector

INCREASING emphasis by the for similar efficiency investigaments commission government on value for money thous within the NHS is enormalization extensive consultancy reviews:

ment on local authorities to contain spending with the aid of various "carrot and stick" methods forced them to examine their organisation and systems more closely.

This was compounded by the extension of the Audit Commissions represented to make companies. sion's powers to make compara-tive studies of local authority efficiencies in their many

activities.

Local authorities have been joined by the National Health Service as one of the major sectors of public expenditure needing outside advice and help. This has been particularly

sectors of public expenditure needing outside advice and help. This has been particularly the case since the Grimins report on the management of the NHS which led to the appointment of general management of the NHS which led to the appointment of general management appointment of general management appointment believe the fact that these were mostly internal appointments has delayed in majors. Corporations earmanked for privatisation have been implementation of rapid change.

New methods of financial management systems—management must hodgeting—were devised and implemented, initially in two of the four pilot districts moninated by the NHS which have since been put into about 30 districts. But most of the larger management consults at save been focusing on the NHS, and seeking to establish a track record, in the belief will be come.

Sometimes, the bealth assignments are quite specific. Coopers a project for which it was necessary to bring medical advisors in the industry.

British Airways, looking to review parely approximate the privatisation horizon, commissioned Airicas Planning to a project for which it was necessary to bring medical advisors into their own team. NHS linen services in Scottand are being reviewed by Inducon. The scope

to come.

Sometimes, the bealth assignments are quite specific. Coopers & Lybrand, for example, were asked to look at the deployment of resources for cancer treatment in the London area—a project for which it was necessary to bring medical advisors into their own team. NHS linen services in Scotland are being reviewed by Inducon. The scope

Government on value for money in the public sector has brought a valuable new market to management consultants. Furthermore, the vast scale of the public sector—still accounting for about 43 per cent of Gross Domestic Product despite the Government's continuing efforts to reduce the proportion—means that as some areas reach maturity in terms of their need for consultancy, new ones are opening up.

A decade or so ago, it was mainly central government and the public sector—should be discussed by the public sector—in the public sector—a measure of the fact that government and public funded bodies and establishments, from the armed lishments, from the armed for consultancy, new ones are opening up.

A decade or so ago, it was mainly central government departments and the nationalised industries which called in consultants for advice. The growing pressure by government in broader than purely technical terms and include experts in finance, eccountancy, personnel, etc. in mainly weight the emphasis

than purely technical terms and include experts in finance, eccountancy, personnel, etc, in their teams. This approach is also an advantage to the consultancy firms in that it develops their personnel and their knowledge about the public sector, which can give them the edge in this highly competitive market.

Some like to recruit people to head up their public sector, whether from the civil service, public corporations, or organisations like the NHS. Some also arrange secondment periods for their sector works.

Some like to recruit people to give them an insight into the way that the public sector works.

Some like to recruit people to give them an insight into the way that the public sector works.

Central government depart-

extensive consultancy reviews: Coopers & Lybraud is looking

view the assignment in broader taken right through the services than purely technical terms and include experts in

Hazel Duffy

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carried out reviews on the effect of people coming into an organisation from a different pension scheme. But it can also involve designing the organisational structure, reporting systems and technological integration for the new considerents.

least one organisation we caught in the nick of time in May," said Mr Murray MacFarlane, director of the financial services division at Coopers and

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ies, from manufacturers of paper clips to Aerospace engineers.

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High-tech wings show fastest expansion

*TO HE a first class business Trade and Industry and the consultant today, you have to Institute of Administrative consultant today, you have to be a first class information ology consultant."

So says Mr Keith Burgess, partner in charge of informa-tion technology at Arthur Andersen. He was voicing a thought which comes readily to many consultants.

There are two main reasons why information technology is increasingly important to the

at the fate of 25 to 5 per cent a year. The latest report from the Management Consultants Association, which represents 27 of the leading firms, says that information technology is the

agement consultants is that IT once seen as the esoteric preserve of computer boffins, is now at the heart of business strategy. It is becoming standard for IT strategy to be over-

as 1984, e survey by Mr Tom Bevington and Mr Max Hand of

Management, suggested that most companies failed to align business and IT strategy.

They saw IT simply as a back-up service for middle managers. Many companies were facing a strategic threat because they were unaware of how their competitors were using IT to win competitive advantages, the report concluded.

management consultancy world. The first is the sheer speed with which the information technology side of most consultancies is growing.

Many consultancies say their high-tech wings are expanding at the rate of 25 to 30 per cent a year. The latest report from the Management Consultants

report concluded.

This present convergence between business and IT consulting is a response to such deficiencies. The traditional management consulting firms and the consulting wings of large accountants point to the depth of business experience they can bring to this convergence.

convergence.

Consultancies based in software heuses, by contrast claim a superior grasp of the technological input. "We're moving their business.

The second reason is of a more strategic kind. "You have to think ehout IT at a higher level than merely thinking about it as a technology. Some of the decisions associated with IT have pervasive implications throughout as a technology."

The converse of the technology into business management, but our edge is that we understand and can control the technology." argues Alan Smith, managing director of Logica'e consultancy business.

The converse throughout as the converse throughout throughout the converse throughout t

about it as a technology. Some of the decisions associated with IT have pervasive implications throughout an erganisation," argues Mr Stephen Dale, director of informatien technology at Inbucon.

A common theme among management consultants is that IT once seen as the esoteric preserve of computer boffins, is into the front office so that for into the front office, so that, for instance, marketing is being driven by IT," says Mr Vernon Ellis, managing partner at Arthur Andersen.

the managing director.

This trend is something of a new phenomenon. As recently computerising information computerising information ebout their existing customers. because this will help them to launch marketing drives for consultants A. T. Kearney, launch marketing drives for sponsored by the Department of new products in a more precise



Mrs Thatcher visiting the Advanced Manufacturing Technology office of Inducon Technology and (right) Geoffrey Pattie, Minister for Information Technology, watching a demonstration inside a mobile electronics factory prepared for the DTI by Inducon

Mr John Jarvis, chief execu-tive of PA Computers and Tele-communications, explains: "Companies which are success-ful have stopped looking after their telecommunications eperations as they look after their loos. They have taken telecoms away from the office manager and given it to new direc-

operations which used to be regarded as dull hackwaters are, through the application of IT moving into the mainstream. This applies to telecommunications, where in the 1970s consultants tended to be asked for advice on limited issues, like the choice of private exchange equipment. up; and the continuing converg-ence between telecommunica-

ence between telecommunications and computing.

As a result of this increased about £10m to £20m in the interest, however, consultancies are faced with a new problem:

"People whe know the telecom business at the level we want are hard to find," Mr Jarvis are hard to find," Mr Jarvis are hard to find, "Mr Jarvis are hard to find, "Mr Jarvis are business from other growing areas of the Government's budget such as turnkey pro
Exiom last year and is likely to departments to attract enough key staff party for pay reasons, to do the work in-house.

The size of IT projects on about developments like computeraided design.

Which consultants work is getting bigger, partly because the many companies are now pursuing areas of the Government's budget such as turnkey pro
On the other hand, shortages As a result of this increased interest, however, consultancies are faced with a new problem: "People whe know the telecom business et the level we want are hard to find," Mr Jarvis

of key staff elsewhere are helping to generate lucrative IT is hired to install a total compared by the of the public sector.

The Central Computer and reasons for increased use of Text there is work for smaller reasons for increased use of the public sector.

The Central Computer and reasons for increased use of the public sector.

The Central Computer and reasons for increased use of the public sector.

The Central Computer and reasons for increased use of the public sector.

The Central Computer and reasons for increased use of the public sector.

The Central Computer and reasons for increased use of the public sector.

The Central Computer and Telecommunications Agency, (CCTA) responsible for management of government information technology, says that spending on consultants was £50m last year and is likely to be £110m in 1987-88, up from about £10m to £20m in the cards 1980s.

Yet there is work for smaller consultancies too. TEK management of government information technology, says that contracting out as much work to suitants and a turnover of about £10m in 1987-88, up from additional technology. The consultants is a Sheffield-based group with about 25 consultants and a turnover of about £10m in 1987-88, up from additional technology. The consultants is a Sheffield-based group with about 25 consultants and a turnover of about £10m in 1987-88, up from additional technology. The consultants is a Sheffield-based group with about 25 consultants and a turnover of about £10m a year. When it started in and the inability of government in 1976, its main focus was on departments to attract enough group with about 25 consultants and a turnover of about £10m a year. When it started in and the inability of government in 1976, its main focus was on departments to attract enough group with about 25 consultants and a turnover of about £10m and the inability of government in 1976, its main focus was on departments to attract enough group with about 25 consultants and a turnover of about £10m and the inability of government in 1976, its main focus was on departments to attract enough group with about 25 consultants and a turnover of about £10m and turnover of about £10m and the inability of government in 1976, its main focus was on departments to attract enough group with about 25 consultants and a turnover of about £10m and the inability of government in 1976, its main focus was on departments for the following for the following

factory management exist either because of poor manage-ment er poor design," says Mr David Blore, managing director

of PE's manufecturing division.
"We go for e business rather than e solely technological solution."

Dr Alastair Bryce, director of manufacturing technology at Inducon makes a very similar point, Indeed, many consultants

in the manufacturing field tend

to stress the fact that the steady

increase in the amount of tech-nology, computerised systems and automation applied to the factory floor places increasing emphasis on other managerial

On the human side, It

demands more knowledge and

better training. In financial terms, heavy investment in a

new, robotised production line may only aggravate a company's

problems by increasing the strains on its finances if the

product that is being made is badly designed.

Despite Ingersoll's image as the most high-tech oriented of

the manufacturing consultants, Mr Small strongly enderses the no answer to anyone's problems

"We have only acquired the reputation of being in the nitty-gritty of automation because we

have people who understand a factory and the technology, and

who have managed a business

themselves. Technology is only

Mr Small believes that com-

panies need consultants periodically because every now and again they go through periods of radical change which they may not have the expertise to manege themselves. In a tenyear cycle, seven may lend themselves to receive the seven may lend themselves.

But three may demand different solutions—and much of British industry is going through such a period of reorganisation at

"I actually believe that we might be getting our manufac-turing activity on the upturn at

ation with exotic automated

a tool," he says.

to be able to see a real difference at the and,"

New organisations are moving into the field too. One of the most recent is the Computer Industry Research Unit set up at the University of East Augila last year by Professor Krish Bhaskar, well-known for his work on the motor industry.

The unit, which has about 12 people, won its first big contract under the European Commission's Esprit programme. The project is a study of security of IT systems, particularly in the financial sector.

Mr Bhaskar hopes that the unit, which is entirely self-financing, will branch out from this to do more consultancy for companies. He says that one of its advantages over traditional consultants is its ability, through its link with the university, to keep in touch with the frontiers of research.

The extra demands made of IT consultants ie matched by a greater sharpness among some client companies about what is on offer. One large retail chain recently bired a well-known consultancy to advise on an integrated telecommunications and data strategy.

The result was less than perfect. "We had to bold their hands," the retailer's telecommunications manager says. "You need someone really on the ball to understand the new applications and they just weren't up to it."

Yet, from the standpoint of the consultancy industry, the story has a happy ending. The retailer has not been put off consultants for good: "But next time we'd be more careful about

David Thomas

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Manufacturing Technology

Where hands-on experience counts

MANUFACTURING has come back into fashion as e key element in the development of corporate strategy, with a heavy emphasis on new tech-nology as e solution to im-proved performance, increased flexibility and better uality.

Consultants have come into their own in this new environ-ment because the impetus to change has proved well beyond the resources of many British companies. While the theme of automation has been around for many years, the rapid in-crease in computer power is creating an enormons range of possibilities for streamlining production on the factory floor. But the development and

application of these techniques also demands e broad range of skills, many of them relatively new and certainly not present in anything but the very largest corporation. These deficiencies in expert-

ise have created opportunities for management consultants in two main areas. First, they have been eble to go to companies with the offer of broadbased strategic planning teams able to look at the whole of the manufacturing process and suggest the appropriate re-sponse for the particular com-

The aim of these consultants is to try and look at the total system represented by the manufacturing process, link that with the needs of the market place, and consider that balance between introducing new products, improving tha manufacturing processes, or simply changing management

systems.

The application of any new technique in one department has a knock-on effect in another, but companies frequently fall to see the connections. As Mr Philip Tayler, the partner responsible for mannfacturing management at Deloitte Haskins & Sells, puts it: "If you are trying to halve costs by a robot, but the use of the robot doubles inventories, you are not really helping

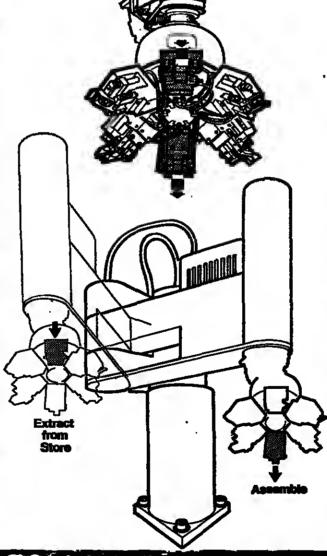
The second main thrust of manufacturing consultancy ac-tivity has been in the nitty-gritty of factory management belping plan and install advanced manufacturing systems.

Here again, consultants represent a short cut to expertise which many companies may not have in-house, and which they might not want to acquire on a long-term basis in the shape of hiring a permanent member of staff.

Perheps the most extreme exrerneps the most extreme example of hands-on involvement by consulants at the shop floor level is at P. A. Technology, the 16-year-old consulting group which now employs around 350 people. PA came up with a unique idea—a consultancy based on a laboratory that develops new manufacturing ideas 14 Buckingham Palace Road, London SWIW OQP. velops new manufacturing ideas for sale as a package to industry. Its research effort ranges across the spectrum from engineering to blo-technology.

In practice, the application of this concent can year widely

of this concept can vary widely.
One example, says Mr Stuart
Exell, European chief executive of PA Technology, is a highly sensitive robot turret, a mechanical "hand" with six heads that can be used in delicate assembly processes.



PA Technology's unique idea of a consultancy based on a laboratory that develops new manufacturing ideas for sale as a package to industry produced a highly scusitive robot turret, a mechanical hand with six heads used in delicate embly processes. It is seen above (top) in conjunction with IBM's Scara robot (bottom)

fecturing the keyboard of the years are associated with what has been associated with what has been called, somewhat derisively, the action of the called, somewhat derisively, the called somewhat derisively, the called somewhat derisively, the called somewhat derisively, the applying and ran them in before applying computerised soludelivering them to Greenock, tions to production management that the called solutions are designing the system of in two hours, a remarkable inventory management.

They have simply transin two hours, a remarkable achievement given the normal installation time in industry, which typically amounts to several weeks.

While PA Technology's approach is unusual, it demonstrates the rising market demand for hands-on manufacturing consultants. Mr Brian Small, managing director of the British operations of Ingersoll Engineers, says that the market for manufacturing consultancy began to take off strongly about four years ago. Ingersoll itself bas grown in the UK from 10 people in 1975 to 150 today. Ingersoil is commonly re-garded by other consultants in the field as the group that is

closest to technelogical soluproblems ο£ competitiveness. The hig eight accounting roups which have expanded

Another is an automated pro-duction line designed for manu-facturing the keyboard of the years are more commonly IBM personal computer at associated with what has been at associated with what has been a called, somewhat derisively, the called, somewhat derisively, the applying computerised solutions to production manages ment by, for example, tions to production manages ment by, for example, so that products have to be entirely reshaped to begin with. On competitive problems, Ingersoll first seeks to measure the company against the hest in the world in terms to the called approach to competitiveness.

Lack of ability to compete often relates to product design, for example, so that products have to be entirely reshaped to begin with. On competitive problems, Ingersoll first seeks to measure the company against the hest in the world in terms

banks and financial institutions te the manufacturing sector. says one critical rival

The specialised, longer-established consulting groups—companies like PE Consulting or Inducon — stress a more integrated approach. PE, for example, has around 65 to 70 consultants working in its consultants working in its manufacturing division, and they embrace a very wide rangs of disciplines—although most of its employees have an engineering qualification, their specialist areas of expertise range from computer-sided design to factory layout and bandling, control processes for inventories and production and manpower organisation.
"Many of the problems in

present," he says.

In common with ether consultants, Mr Smith also argues that the period of industry's infatu-

of overheads, production times quality and so on. It then tries to build a strategy which will bring the group up to the same level or better than its competitors, applying whatever changes are necessary -new products, fresh factory lay out, improved organisation and so on.
"The factory of the future

is simple, smaller, has fewer levels of organisation, employs shorter lead times, is flexible and applies the best technology in the key areas," says Mr Small.
"It is also people-driven, because competitiveness is peopledriven, not technology-driven."

Terry Dodsworth

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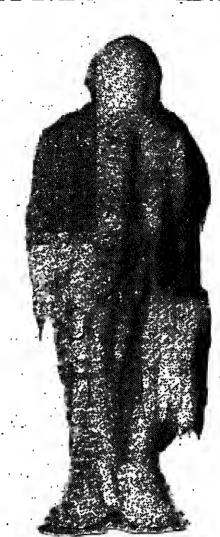
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"YOU OFTEN hear people saying of companies that they've got too many chies and not exough Indians, but we've a different problem here," snapped a works manager not bing ago. "What's wrong with this outfit is that we've too many witch-

He was referring to fellow employees who—unlike himself—had no direct "line" responsibility for producing or selling goods and services, but worked as specialists on abstruser mat-

"Getting a decent joh done on schedule is hard enough without baving know-all busy-bodies from planning and what-not telling you to do it some other way," he added. "The worst of the lot are the personnel department. The only time I'm pleased to see them is at I'm pleased to see them is at their leaving parties."

He is far from alone in having a disparaging opinion of the so-called "staff" side of management. It is an attitude which is evidently shared by a lot of line executives, and not only in Britain, even though few would be likely to voice their view so binntly.

Given that so many of them

within the same company, it might be expected that there would be still greater resistance to similar specialists brought in from outside as consultants. But the signs are that, when it comes to getting their services accepted by line managers, external consultants often sucexternal consistants often suc-ceed where internal staff fail— which is probably fortunate in the light of a trend apparently developing throughout the busi-

More and more organisations of pretty well all kinds and sizes seem to be deciding to concentrate the efforts of their diminishing in-house workforces on the mainstream tasks of de-velcping, producing and selling sultancy will best have the products. In consequence, they are increasingly hiving off the job." more peripheral activities to self-standing consultancies.

Few if any varieties of specialists are exempt from the trend, not even accountants. Among the thrusting sunrise businesses in high technology, of Science and Technology, in particular, a good many look With aid from the Leverhulme to be determined to keep the Trust and the Institute of Pernumber on their payroll to the sonnel Mahagement, they made essential minimum and, as far as is practicable, to meet their needs for financial expertise as well as skills such as market-ing by buying in from outside.



Their main conclusion from

development, as well as recruit-ment and selection .

They point out that tha enthusiastic interviewees were

mostly very near if not already at the rank of director,

control if you're not careful."

Mr Torrington and Ms Mackay
also have qualms about a further implication of their pre-

He is far from alone in having lost most ground to the "con-libed "staff," cide of manager. personnel. What is more, it can resign itself to losing still is evidently shared by a lot of line executives, and not only in Britain, even though few would be likely to voice their view so bluntly.

Given that so many of them are sceptical of the worth of specialists who are colleagues within the same commany it can resign itself to losing still further ground in the future, according to Mr Parry Rogers, chairman of the Institute of Directors, who retired some months ago from heading the personnel function in Plessey.

If he returned to that job in a few years' time, he said,

If he returned to that job in a few years' time, he said, he would almost certainly have difficulty in recognising it. "Big-company personnel directors have traditionally been rulers of armies of inbouse specialist staff. But I don't think many will be for much longer

"They will be more like chief huyers. Companies will not keep a range of different personnel specialists on the payroll. They will hring them in from outside as and when required. The ability to manage a large staff will not be an important factor. The key will be knowing not only the personnel needs of the business inter-

Mr Rogers's prediction is supported by a research study published earlier this year by Mr Derek Torrington and Ms Lesley Mackay of the University of Manchester Institute ants' takeaways was distinctly constituted in the constitution of Science and Technology. Trust and the Institute of Personnel Mahagement, they made a questionnaire survey of \$50 employing. -- organisations in Britain, and followed it up by interriewing enecialists in the interviewing specialists in the field, most of whom held high

of personnel ectivities. They suspect that it will whittle away the personnel practitioners' in-house career ladder, and along with it many companies' stocks of expertise in the more decolar precipined. deeply specialised aspects of the work.

work.

Within a growing number of businesses, the "people" function will be headed by generalist line managers pitched into personnel at best as a staging post on their journey up the executive hierarchy. "They may have a deep and full appreciation of line management problems, but any claim to special competence will be hard to sustain."

Whila the two researchers evidently think that companies will be on balance worse off for following the sub-contracting fashion, however, the witch-

fashion, however, the witch-doctor-despising works manager and many other line executives would certainly disagree.

the study is that "the use of consultants is substantial and increasing." Moreover the activities the outsiders are They could argue, for in-stance, that there is little use activities the outsiders are mostly taking over are not the odds and ends of company per-sonnel work, but tasks which have for long been regarded as its central core. They include training and management stance, that there is little use in companies having "special competence" in personnel and other staff functions on the payroll unless the specialists' edvice is turned into improved practice by the managers who actually daliver the goods.

Another finding was that the trend was positively welcomed by the majority of the incompany personnel staff who They might go on to claim that the main reason why such specialists have so often gone unheeded is that, being under the protection of large internal departments, they have tended not to bother to acquire the were questioned face to face.
That, however, still leaves the
UMIST researchers with misgivings about the development. appreciation of line management problems" that would enable them to tailor their advice to sharp-end executives

arready at the rank of carector, and so were presumably no longer in close touch with the detailed concerns of their specialist subordinates. They were "undoubtedly managers first and personnet practitioners second." They could also argue that external consultants, dependent for survival on winning repeat assignments from satisfied clients, could not afford to take such a professionally self-centred attitude.

Even so, from the viewpoint of an independent observer.

"They were tending to with-draw from being identified as of personnel professionals and the seeking a closer identification con of an independent observer, there remain good reasons why companies would do well to think carefully before handing over more and more of their staff-specialist functions to outside operators.

One of the reasons is that. One of the reasons is that, with due respect to management consultancies, not all of them always look thoroughly into what needs to be done in their client: companies, and then tailor their solution to the real problem. At least some tend to take the short cut of chillier. "They can take over your role," ran one fairly typical comment. "They can come into the company and make contact with your managing director, and you can lose

CONTINUED ON PAGE 9



Mr Dominic McGlynn, managing director of Harold Whitehead and Partners and (right) Mr Bill Brown, a partner in Coopers and Lybrand's business services unit

Business Planning

Competition: the third dimension

THIS IS the decade when British industry is facing up to its fading international competitiveness and trying to do something about it. Builish companies have been gradually design markets there about an of Incubon, one of the larger branch and trying to do something about it. Builish companies have been gradually design markets there about an of Incubon, one of the larger losing market share abroad and succumbing to penetration of their home markets by foreign

Japan is currently growing at 0.5 per cent a year, while in the UK it is declining by 0.1 per cent, according to the Organisacent, according to one Organisa-tion for Economic Co-operation and Development. One group of people behind the effort to change is management consult-ants, who are called in as troubleshooters to help redirect a company's business and recap-ture lost ground.

thre lost ground.

The image management consultants used to have in industry was as time and motion men, sharpening up working practices. By the turn of the decade they were viewed as executioners, brought in to justify swingeing redandancies.

They claim to be more con-cerned with growth, defining strategy for companies to belp them to meet competition head on and win, advising on better organisational structures, cost controls and technology. pany managements see in them a source of expertise they do not need to employ in house but can call npon in times of need.

Tha discipline of management consultancy has evolved since the 1920s as a staircase of products offered to industry, according to Mr. Dominic McGlynn, managing director of Harold Whitehead & Partners, a medium-sized consultancy speci-

1960s. taken foreign multinationals

It became an exercise in offer with a significant UK base ing strategic advice over the through this exercise, but fewer 1970s, developing models UK companies have requested. in managements could use to find out and carry out their objectives. Now, with the concern over competitiveness and the importance of technology as a competitive tool, both strategic and project work is in heavy demand.

this area report growth in fee income of the order of 20-25 per cent a year over the past two a need for new products and years. During the recession in advice on product strategy to the early 1980s, when industry stand up to American and Lapanese competition.

In the UK market "own

said Mr Len Brooks, chairman of Incubon, one of the larger consultancies. "They can reduce manufacturing lead time, materials costs and scrap and improve materials yields. If you do a model of the structure of the business and look for a 1 per cent improvement in about seven different areas, you will improve profitability in the order of 30 per cent."

But financial control is a way But financiel control is a way of measuring a sirategy rather than the strategy itself, says Mr Dominic McGlynn. At Harold Whitehead he has developed a competitive analysis aimed at understanding an industry as a whole, plotting the variables and identifying the critical differences a client could make to achieve competitive advantage.

"Britain still has a classic producer mentality," he said. "We are trying to get companies to understand a third dimension, not just products and markets but also competition." British management is less international in its understanding than its foreign competitors, says Mr Michael Thomas, managing director of AT Kearney, an American-based consultancy which split from the renowned McKinsey in 1949. As a result it are country out "It's a result it get caught out. "It's being hit from different direc-

tions by surprise moves where warning signs have been there for some years." International companies from the US. Europe and Japan are more aware of the need to manage their business in a horimore aware of the asset to manage sheir business in a horizoltrical way, fession's approach was tactical, dealing with the nitty gritty of payment systems and salary structures from the 1930s to

> As industry regains some demanding cost mated processes across a wide range of industrial sectors, according to Mr Alan Murphy, marketing director of Cambridge Consultants, a subsidiary of Arthur D. Little which concentrates on product and pro-cess advice. That is followed by

was slower at around 10 per cent a year.

"Many companies still have costs that can be taken out," said Mr Len Brooks, chairman of Incubon, one of the larger consultancies.

"They can reduce manufacturing lead time, materials costs and scrap and to bring consultants." role there is materials costs and scrap and to bring consumer market reto bring consumer market re-search to thair manufacturing clients, who are often quite far removed from their customers. Information technology con-sulting has been a strong growth area for management consultants, promoted by the

consultants, prompted by the fall in price of computer tech-nology and breakthroughs in the ability to manipulate informa-tion. But companies employing consultants in that area should epply a test of their approach to see whether they will do a good job, according to Professor Igor Aleksander of the Computing Department at Imperial College.

scored full marks for its methods.
Britain's declining industrial performance has been put down parfly to a lack of entrepreneurship, shown in a smaller sector of young and independent businesses than even her European neighbours can boast, let alone those in the US and Japan. Since the Conservative Government of 1979 set about stimulating small businesses the consulting arms of the hig the consulting arms of the big accountants have found them:

selves a niche.

Coopers & Lybrand have a one top shop in the shape of its business services mut, set up in 1979. The small company approaches a partner in the unit who will assemble specielist expertise from either the consultancy or accountency. econsultancy or accountency practices. "Rather than the consultant dealing with his specialist equivalent in a large company, we have a generalist dealing with the managing director of a small company," said Mr Bill Brown, a partner in Conpart husiness services.

in Coopers' business services The accountants' natural extension of their practice has been so help small businesses to raise equity cepital—Coopers moved into this area in 1983 and recruited former venture capitalists, bankers and entre-preneurs to provide a strategic

advice service. Robson Bhodes has also made computers," he said. His recent survey of some 20 consultants specialising in information technology found only one which scored full marks for its methods.

Britain's declining to the said of the s

... Sue Landau

aming

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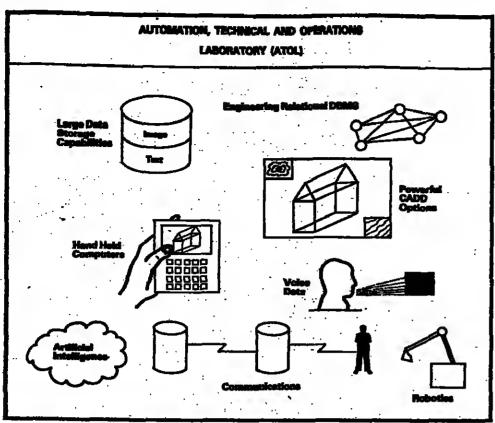
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Management Consultancy 9



This is how Arthur Andersen's new laboratory at Chiswick is being structured. It is designed to enable new cheaper computing power to be put to practical use in the business environment. The Automation, Technical and Operations Laboratory covers robotics, bandheld computers, voice recognition and many other computersided processes.

Independents

Leaner look has price advantage

nensig

THELD 🚿

raining

CONTINUED FROM PREVIOUS PAGE persuading the client that its problem fits some "solution" which the consultants have

Another reason is that, ithough consultants may

available off the peg.

company ranks below.

sultants getting together to Specialisations of members offer an extremely wide range include financial management offer an extremely wide range include financial management and accounting company formation, production engineering, sultancy Associates, is a member of the Richmond Group and believes that the best definition of an independent management and recruitment, business an independent management administration, company policy consultancy is one which has right through to general probfewer than five permanent staff.

Mr duQuesnay warns against consultants who claim "I can do everything!" because in practice they cannot. Where a project covers a range of disci plines the independent should be able to bring in an associated

consultant with the specialised knowledge required for that part of the project. Neville Ian Ash



Internal specialists are surely more likely than consultants to have the detailed knowledge to spot the particular features of the organisation that will pre-vent a scheme from working, even though it has the enthusi-

astic approval of their superiors on the board. In such cases, too, the inter-nal staff will probably have a stronger incentive than out-siders with other clients on

wrath by opposing the scheme concerned. For one thing al-most all experienced inside specialists have learned is that, while top management rarely gives them the credit when some action in their area of expertise goes well, they can always be sure of getting the blame if it flors.

stitute of Science and Technology. The main conclusion out with Ms Lesley Mackay, which surveyed 350 employing organisations, was that the use of consultants " is substantial and increasing."

Michael Dixon

Temporary Executives

The outsider who is on the fast track

THERE WAS a time, in the not too distant past, when companies suddenly confronted by an unexpected need to diversify, set up a new venture or cope with an unforeseen resignation or prolonged illness, would either look to their internal management development resources or call in the headhunters to poach additional permanent staff fast.

Not any more, according to the management consultants, Inducon, who report that the management resources of most companies today leave little or no margin to cope with a sud-

the management consultants, Inducon, who report that the management resources of most companies today leave little or no margin to cope with a sudden overload because, in current circumstances, the order of the day is "keep slim."

So, instead of increasing progresses amplement company.

permanent employees, company managements under pressure from the introduction of new products, services and/or technologies—for which they lack
the skills and experience—are,
Inbucon reports, putting temlikely to be better motivated
porary executives on the payand less inhibited than those
on the inside

Not that there is anything particularly new about temporary executives—notably in such industries as offshore oil and consultancy enginearing—it is just that there is now a wide-spread recognition of their role in most sectors of industry and commerce where they are evidently setting a new trend. It is about a new and exciting kind of career progression on a consultancy basis, as more and more personnel departments is the recognition, albeit be lated, of "executive temping" that is new.

not least at senior executive level. As soon as its executive-temping scheme was launched, in conjunction with Inbucon, in January of this year, Mr Lederer says that "over 30 new enquiries from private and public sector organisations all over the UK" were received in the first month. Inducon's register of tempo-

rary executives now exceeds 1,000 and, to any doubting Thomas with reservations about Thomas with reservations about the calibre of the candidates in question, Inducon's Ray Smith says: "Contrary to popular belief, temporary executives are not all retired directors or reorable career prospects.

Often the temporary executive is a very big wheel more able and better paid than both the permanent member of staff to whom he reports—while completing his assignment—and the permanent employees who inherit his handiwork after he has left. dundant managers seeking parttime or stop-gap work until they find a permanent appointment. find a permanent appointment.

A growing number of "highfilers" and managers in midcareer are choosing the
self-employed route, as temporary executives or project
managers, in preference to employee status. They are attracted
by the independence, the
variety of challenges and the
good rewards for success."

What was an occasional

What was an occasional Induced service—often provided as an adjunct to a major assignment, or to "help an old friend." is now rapidly developing, according to Mr Lederer, "into an important support activity

to industry, commerce and the public sector." He reckons that the temporary executive is now accepted by many organisations "as hormal" and some use him, he says, "as a metter of course whenever there is a need to augment their top team or there is a discrete project which needs active management—the tempo-

Bob Crew

On December 12, the

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

LONGON - FRANKFURT - NEW YORK

ANYONE LOCKING for a management consultant would normally aim for one of the well-known names like Price Waterhouse or PA for no other reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than that such organisations can feed work to the reason than the tenth organisation are well-known names. There's a yawning gap between the Price Waterhouse, PAs, of this world and the independent consultant, according for the same range of expertises. The best way is to contact the fact and organisation like the Richmood group with the 60 members can provide the same capacitates either work as small computings of a number of small can offer the same range of expertises through its range of exprises. The Guardian Group has three compatises: One specialises in computings of a number of small can offer the same range of expertises through its range of exprises. The Guardian Group has three compatises: One specialises in computing of a number of small can offer the same range of expertises the first provided the same expertise through its range of exprises the provided three and organisation like the fact of the first provided the form of their role in management consultants is not the well-known names. The Best way is to contact the for the first industries and recognition of their role in management consultants is not that the consultants and provided to the same range of experts and consultants. The CBL in consultants a register of members and the type of problem to be solved from the type of problem to be solved. John the provided the same recognition of their role in management consultant is not that the consultant is not the transfer of the first of the provided through the p Peat Marwick consultants know what they're playing at.

One of the country's major retail groups recently reorganised.

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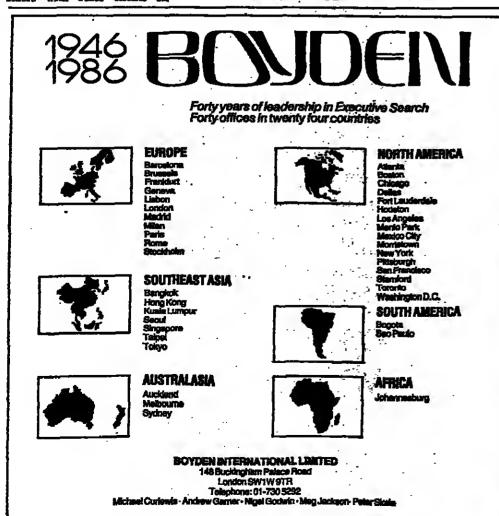
And to fields ranging from food. to tourism, from high technology to mass media.

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U.S. Trends

Accountants find lucrative pastures

WITH A THIRD to a half of for four decades. business going to American

ACME president, Joseph J. admit to doing it regularly, and Co. Brady, notes that the "better covered Doty Jarrow and Co. a firm of Chicago accountants, quality firms have enjoyed a rate of growth in excess of 25 per cent," though the advances have been selective and "the middle-sized generalist firms may find themselves in trouble, whila the boutiques and the giants should forge ahead."

Mr James L. Kennedy, editor and publisher of Consulting firms, or growing into multi-News, the considential news-letter of the consulting profession, points out that ten in the recently complied list of the top 30 management consulting firms are accountants. An eccounting firm, Arthur Andersen, is first in the Consulting News list, with revenues of \$477m, while the traditional, probebly hest-known consulting firm, McKinsey and Co is second with \$350m in

The competition from accountants is bound to continue, if not increase, since accountants' consulting husiness, called Management Advisors Called Management Advisors Called Management visory Services (MAS), have been growing et e 33 per cent rate, compared to less than 15 per cent for their enditing services, making accountants all the more willing to find new niches for their MAS ectivities. Accountants are going into fields like executive recruiting, public relations and even, for Laventhol and Horwath (taking advantage of an eccounting specialty in hotels), designing hotel interiors. Arthur Andersen exploited cross-marketing opportunities between consult-

vices for clients.
The engineers conducted a plant study that showed the Pettibone Corporation how to improve factory set-up time for its largest plant in Chicago. Though separately contracted, the plant study won Andersen the endit account to replace another firm Pettibone had used

Accountants are leading the way in installing price competimanagement consultants are tion in e field that long resisted concerned about increasing it. More than 80 per cent of the MAS departments of competition, despite a 16 per the MAS departments or cent growth in last year's accountancy practices do "value revenues to \$4bn, in figures billing," the euphemism for flat compiled by ACME, the association of management consulting firms.

ACME president, Joseph J. admit to doing it regularly, dis-

> in a recent survey. Management consultants have responded to the challenge with mergers and greater specialisation to carve out a unique niche in an increasingly crowded marketplace. Generalist firms

from the fall of the corporate strategists, whose appealingly simple charts with stars, cows, dogs and question marks gave general consultants great popu-larity in the 1970s. Manage-ment consultants were the major recruiters at business schools, making the field look particularly exciting just because the generalists' formulas could be epplied by frash-faced graduates

fresh-faced graduates. But while the formulas helped categorise corporate assets and hroaden managers' horizons to think about the marketplace, implementation fell below 10 per cent because it defied easy application, an impracticality that undermined the conceptual

allure.
The originator of the field, Boston Consulting Groop, did less business last year than one of its offshoots, Bain, which emphasised a more practical

Specialists have come to the fore as clients have become more sophisticated, demanding specific services. "They are ing and anditing when it hired not looking for the psychotics for clients.

"They are not looking for the psychotherapist enpreach" therapist epproach," says Mr Ed Hendricks, vice-president of ACME. Mr Kennedy notices that although management consultancy is an inexact science that is still in the process of evolving, there is e trend toward technological studies that are fact driven and

sultants (35 per cent, according to an ACME survey of clients). but managers, divisional managers and operational areas, constitute 44 per cent of re-quests for consultants.

One of the top specialist areas is benefits and actuarial services, which has catapulted Towers, Perrin, Forster & Crosby to the top ranks of management consultants-indeed, the largest, by their own calculation. Towers, Perrin's total compensation, actuarial and internal communications consulting services eccount for \$250m of its \$360m consulting revenues, while its Tillinghast division which specialises in services for insurance com-panies brought in \$50m and its smallest division, general consultants Cresap, McCormick and Paget, had income of \$50m. The firm's acquisitions, which included most recently the general consultants Heyes/Hill, are meant to "achieve market leadership in a number of areas," says company president Mr James E. Kielley.
"We are deepening within existing specialities to enhance not dilute ourselves."

Companies that join Towers, Perrin take advantage of the economies of scale being offered by the larger firm. Mr Kielley finds that "clients probe closely to see the resources behind the consultant," for whom data-hases, computerised systems and technical expertise are e The consultant is increasingly

forced to prove his worth since, according to Mr Kielley, "the primary competition for all consultants comes from the client himself." The more sophisticeted internal resources of many companies force the consultant into greater specialisation, like compensation and pensions, areas where govern-ment regulation, tax laws and actuarial tables become more complicated and changeable than most companies can keep up with by using their own personnel. Where consultant services

science that is still in the were once bought by the client, process of evolving, there is e they are increasingly being sold trend toward technological by the consultant. A T, studies that are fact driven and more scientific."

Top management most often were once bought by the client, services were once bought by the client, sold trends to the consultant. A T, kearny, a 60-year-old im specialising in streamlining internal operations, does "pull"

TOP 20 US FIRMS

"Best estimates" of 1985 worldwide professional revenues

1. Arthur Ander-1. Arthur Andersen 2. McKinsey & Co 350 50 1250 2. Towers Perrin Forster 3. Towers Perrin Forster & Co 305 3. Booz-Allen & 4. Price Water-4. Mercer-Meidinger 5. Booz-Allen & 5. Wyatt Hamilton 6. Mercer-6. Peat Marwick Meidinger Mitchell 7. Peat Marwick 6. McKinsey & Co Mitchell 27 8. Coopers & Lybrand 8. Price Waterhouse 35 3000 8. Wyatt 6 1400 9. Ernst & Whinney 10. Coopers & Lybrand 27 2125 11. Arthur Young 175 40 11. Johnson & Higgins 12. Arthur Young 12. Hay Group 142 55 1050 13. Tonche Ross 40 140 13. Touche Ross 14. Alexander 14. Hewitt Assoc 15. Johnson & 15. Bain 16. Buck Consultants Human Resource Mgmt (A&A) 105 33 100 17. Human Resource Mgmnt (A&A) 18. Hewitt Assoc 18. Arthur D. Little 19. Arthur D. 19. Hay Group

marketing and "push" market-ing, while thinking np new specialties. Pull marketing, according to Dr Marvin Schiller, plier, strategic resources management and organisational

effectiveness.

Push marketing has e large component of taking a chief executive out to lunch to explain how the firm's skills fit with the client's needs.

All management consultants seem extraordinarily market and image consclous. Their New York offices are in the newest, flashiest buildings (alongside a high proportion of lew offices). high proportion of lew offices).
ACME presents a regional seminar on the subject: "Making Salesmen Out of Your Con-

A small market-focused strategic consulting firm like Management Practice Consult-ing Partners puts out a quarterly magazine with articles of general interest on "Avoid-

ing the Slash-and-Burn Approach to Overhead Reduc-tion," "Survival Lessons from e Division General Manager" according to Dr Marvin Schnier, and "Ten Operating Principles includes white papers and briefing papers, speeches, articles of Overhead Value Analysis." It can boast a high proportion of partner contact with clients of partner contact with clients and has done work for some of the largest banks and cor-

20. Science Mgmt

ing specialties in areas like product-liability practice, where lawyers bave been active, and transfer pricing, e field accountants have called their own, to provide niches in which the firm can specialise and challenge other professions as much as the management consultants are being challenged by them.

User Guide

Best results based on a partnership

"DON'T USE them under any circumstances. Not even to keep your stockholders and directors quiet. It isn't worth it." These harsh words - perhaps only slightly tongue-in-cheek—about management consultants came from Robert Townsend in his book "Further Up the Organi-

sation."

"They waste time, cost money, demoralise and distract your best people, and don't solve problems," he adds. "They are people who borrow your watch to tell you what time it is and then walk off with it."

Any company that has used management consultants will probably recognise a grain of truth in Mr Townsend's comments. But, equally, there are many more corporations which swear by management consultants ants as the hest thing that ever happened to them.

is to go ahead with using consultants, then an initial brief will be needed; if not, then the enalysis will have proved that the company has sufficient resources to tackle its own problems.

The Civil Service's Management and Personnel Office, in a useful guide to Whithehall departments on employing manegement consultants, points out that it is unwise to "assume that an ontside consultant is familiar with your department'e practices, shorthand, or happened to them.

The truth, of course, is probtwo extremes. Management con-sultants do provide a much needed resource for British in-dustry; equally, many companies fail to get the best use out of their consultants.

"Many mistakes are made by trying to cut corners on costs and not going for quality con-sultants who can demonstrate they have echieved success in similar situations before," points out Mr Keith Stein, Arthur Young'e national managing consulting partner. "The best consulting jobs are those where there is e partnership between the client and con-sultant."

Initially, the first question that companies or organisations should ask is: why do we need to use an outside management

There are three main reasons for using a manage-ment consultancy. Firstly, they can provide specialist skills, techniques, and experience which may not be evailable within the company. Secondly, they enable companies to eug-ment their resources when carrying out particular programmes for change. Thirdly, and perhaps most importantly, they provide an independent, outside view of a hallenged by them.

Frank Lipsius company's needs, aspirations, and problems. It is the failure of internal corporate manage-

ment to see the properbial "wood for the trees" which has spurred on the growth of the consultancy business over the past decade.

Carrying oot an initial analysis of the need for employing consultants is not a waste of time; if the decision is to go ahead with using consultants, then an initial

practices,

It lists the essential information for a background hrief for consultants which includes basic organisational information such as costs, hierarchy, and staffing; provisional terms of reference that are "hrief, specific, and comprehensive," and an outline of the broad approach expected and an estimated timetable.

Having decided to employ a consultant companies can expect to go through a four-stage programme in their search for the best consultant for their

Stage one involves drawing np an initial list of potential consultancies, tapping the experience of others in the company who may have used a consultant, checking whether or not they belong to relevant trade or professional associations. It is also useful to cies—usually simply by tele-phone—whether or not they meet the initial parameters (cost, etc) and have the relevant experience. Stage two involves drawing np criteria against which to

assess those consultancies on the short list, which need be no short-listed consultancies should be invited to put forward detailed proposals.

Appraising these proposals is more than three consultants, After an initial meeting to discuss the assignment, the short-listed consultancies should

in the light of the terms of reference. Ensure that those who would actually be handling the assignment are there to answer questions, such as what happens when things go wrong (as they invariably do).

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Stage four is agreeing fees-establishing exactly what is covered—and responsibility for direct expenses. An agreed contract needs to be drawn up at this stage to cover all aspects of the consultancy work.

Even after choosing a con-

sultant, it is important to monitor progress to secure best results. An executive from the client company should be the project officer to act as the the project omcer to act as the liason with the consultants as well as to monitor progress.

Monitoring includes interim reports et key stages of the project and establishing a system to deal with delays or difficulties. The Whi observes et this stage that this monitoring "may seem a sub-stantial duplication of what you might expect the consultant to do hut the consultant's control process is designed to meet his needs which may not be yours."

"Getting the best use put of

management consultant is a skill in its own right. "It is essential that the client should speak frankly about his pro-blems, and 'unburden' himself on the consultant," points out Mr Stein from Arthur Young. One important point to remember is that the consultant's time does not come cheap. A half-hour chet ebout golf may be interesting but just remember that it will also be costing you money, After the consultant's report is completed — which should not come as a surprise but as the culmination of previously agreed work — it is important to review the project to discuss with consultants," urges the Whitehall guide,

Finally, best in mind Robert Townsend's comments about the effect of the threat: "If you fellows don't get shaped up in



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